United Nations A/56/171

General Assembly

Distr.: General
10 July 2001
English
Original: Spanish

**Fifty-sixth session**
Item 22 of the preliminary list*
**Cooperation between the United Nations and the Latin American Economic System**

# Cooperation between the United Nations and the Latin American Economic System

## Report of the Secretary-General**

## I. Introduction

1. The present report was prepared in compliance with General Assembly resolution 54/8 of 25 October 1999 on cooperation between the United Nations and the Latin American Economic System (SELA).

2. For the preparation of the present report, the Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC) wrote to the following organizations of the United Nations system requesting an update of their activities with SELA: Food and Agriculture Organization of the United Nations (FAO), World Trade Organization (WTO), International Atomic Energy Agency (IAEA), International Civil Aviation Organization (ICAO), International Fund for Agricultural Development (IFAD), International Labour Organization (ILO), International Monetary Fund (IMF), International Maritime Organization (IMO), International Telecommunication Union (ITU), World Meteorological Organization (WMO), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Industrial Development Organization (UNIDO), Universal Postal Union (UPU), World Bank, World Health Organization (WHO), World Intellectual Property Organization (WIPO), Office of the United Nations High Commissioner for Refugees (UNHCR), United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), United Nations Conference on Trade and Development (UNCTAD), United Nations Children's Fund (UNICEF), World Food Programme (WFP), United Nations Centre on Transnational Corporations (UNCTC), United Nations Environment Programme (UNEP), International Research and Training Institute for the Advancement of Women

* A/56/50.

** The late submission (by one week) of the draft of this report was due to the delayed receipt of contributions from some of the cooperating organizations.

01-45376 (E) 200701 310701

(INSTRAW), United Nations Institute for Training and Research (UNITAR), United Nations University (UNU), United Nations Development Fund for Women (UNIFEM), United Nations Research Institute for Social Development (UNRISD) and United Nations Centre for Human Settlements (Habitat). Four of these organizations sent updated information on their cooperation with SELA. Ten others noted that they were not, at the time, conducting joint activities with SELA, although some of them expressed a desire to do so in the future. The following summary is based on the information submitted.

## II. Cooperation between the United Nations and the Latin American Economic System

3. As noted in the report of the Secretary-General to the General Assembly at its fifty-third session (A/53/420), since the establishment of SELA in October 1975, considerable cooperation has taken place between United Nations organizations, agencies and programmes, especially ECLAC and SELA.

4. Such cooperation has intensified over the years and has become more diversified in terms of both the areas of cooperation and the organizations concerned.

5. Cooperation between ECLAC and SELA has consisted, inter alia, of the implementation of joint activities, the participation of representatives of ECLAC and SELA in meetings of the two institutions and the preparation by ECLAC of specialized documents in various subject areas in support of SELA activities. Some examples of this cooperation are listed below.

6. ECLAC and SELA executed a joint project aimed at launching national focal points for technical cooperation among developing countries (TCDC) on the Internet. As part of this project, ECLAC organized four training workshops for the creation and management of web sites, which were held, respectively, from 9 to 10 September 1999 in Caracas, Venezuela; from 14 to 15 September 1999 in Port-of-Spain, Trinidad and Tobago; from 16 to 17 September 1999 in Santiago, Chile, and from 5 to 6 November 1999 in Mexico City, Mexico. The final report on the project was presented at the Fourteenth Meeting of Directors of International Technical Cooperation, held in Santo Domingo, Dominican Republic, from 1 to 3 December 1999.

7. On 13 March 2001, representatives of SELA, ECLAC and the Latin American Integration Association (LAIA) held a meeting at ECLAC headquarters in Santiago, Chile, to evaluate the results of the joint initiative for convening meetings of trade policy officials of Latin America and the Caribbean. They agreed to continue to hold these meetings, which are an opportunity for government officials to consider and direct policies in accordance with emerging international trends and with national policies for the promotion of economic and social development. Thus, it was decided that the sixth Meeting of Trade Policy Officials of Latin America and the Caribbean would be held in 2002.

8. Staff of the ECLAC Division of Production, Productivity and Management participated in the Regional Forum on Industrial Policy organized by SELA in Buenos Aires on 31 May 2001, where SELA members discussed productive

restructuring in Latin America following structural reform, and considered public policy options for improving competitiveness.

9. The ECLAC subregional headquarters in Mexico continued to cooperate closely with the Permanent Secretariat of SELA in conducting the annual course on Central American integration held from 1995 to 2001 in various Central American countries under a cooperation programme financed by the Government of Mexico. This cooperation included the joint organization of courses, the participation of staff and experts from ECLAC as lecturers and the production of specialized documentation.

10. The Latin American and Caribbean Institute for Economic and Social Planning (ILPES) continued to coordinate its programme activities with SELA, through regular contacts with SELA officials and staff members.

11. FAO has maintained close cooperation with SELA, inter alia, through reciprocal attendance at meetings and the exchange of information, experience, documents and publications.

12. During the period 1998-2001, FAO participated in the following SELA meetings: twenty-fifth and twenty-sixth ordinary meetings of the Latin American Council; Fourteenth Meeting of Directors of International Technical Cooperation and first meeting of the Regional Technical Cooperation Mechanism for Emergencies Caused by Natural Disasters.

13. Furthermore, all SELA member States participated in 1999 and 2000 in three subregional training workshops organized by FAO on the Uruguay Round and future negotiations in agriculture. The purpose of these workshops was to contribute to a better understanding among developing countries of the implications of existing WTO agreements on agriculture, fisheries and forestry, and to discuss issues that might arise in future negotiations.

14. UNESCO has continued to cooperate with SELA in its areas of competence, especially on programmes for the development of networks of researchers and research centres and in the area of prospective studies. In this connection, UNESCO has provided technical assistance and organized intergovernmental and expert meetings in conjunction with SELA.

15. In 1998-1999, UNESCO provided technical assistance to SELA in the preparation of preliminary studies for the creation of a Regional Network on Strategic and Prospective Studies. Assistance was also provided by the World Association of Futurology. SELA participated in the meeting to launch the Regional Network, which was held in Rio de Janeiro, Brazil, in September 1999, and contributed to the book compiling the relevant proceedings and conclusions. In January 2000, the two organizations held a follow-up meeting on the joint UNESCO/SELA project on prospective studies and drew up a new plan for collaboration for the biennium 2000-2001.

16. UNESCO provided technical assistance to SELA in the preparation of preliminary studies for the establishment of a Network of Research Centres in Asia-Pacific and Latin America and the Caribbean.

17. Furthermore, UNESCO participated in the twenty-sixth ordinary meeting of the Latin American Council, which was held in Caracas from 16 to 18 October 2000.

18. Cooperation between SELA and UNIDO during the period under review consisted, for the most part, in the continuous exchange of information on studies and reports of meetings and workshops held in the region. Special mention should be made of the close collaboration they maintained under the UNIDO-International Centre for Science and High Technology Regional Initiative on Prospective Technological Studies in Latin America and the Caribbean. SELA participated in the meeting to launch the initiative in Trieste, Italy, in December 1999, and in its implementation in some countries in the region.

19. The World Bank has continued to collaborate with SELA in many areas. In particular, officials from the Bank attended meetings organized by SELA and vice versa. In 1999 and 2001, the Bank invited SELA to participate in its Latin American and Caribbean Regional Conferences on Decentralization and Economic Security. The World Bank participated in the seminar entitled "Agriculture and the New Trade Issues in WTO: interests, options and strategies for Latin America and the Caribbean", organized by SELA and attended also by representatives of the Inter-American Development Bank, the Inter-American Institute for Cooperation on Agriculture, FAO and WTO.

20. SELA is organizing the Sixteenth Meeting of Directors of International Technical Cooperation of its member countries, scheduled to be held in Montevideo, Uruguay, from 8 to 9 November 2001 with the participation of representatives of regional, bilateral, multilateral and international development agencies.

United Nations A/56/172

General Assembly

Distr.: General
12 July 2001
English
Original: Arabic/English/French/
Spanish

**Fifty-sixth session**
Item 86 (b) of the preliminary list*
**General and complete disarmament**

# Further measures in the field of disarmament for the prevention of an arms race on the seabed and the ocean floor and in the subsoil thereof

## Report of the Secretary-General**

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* A/56/50.
** The present report contains information received from Member States up to the first week of July.

01-45295 (E) 140801

# I. Introduction

1. At its forty-fourth session, the General Assembly adopted resolution 44/116 O of 15 December 1989, entitled "Review Conference of the Parties to the Treaty on the Prohibition of the Emplacement of Nuclear Weapons and Other Weapons of Mass Destruction on the Sea-Bed and the Ocean Floor and in the Subsoil Thereof", the relevant operative paragraphs of which read as follows:

> "*The General Assembly*,
>
> "...
>
> "8. *Also requests* the Secretary-General to report by 1992, and every three years thereafter until the fourth Review Conference is convened, on technological developments relevant to the Treaty and to the verification of compliance with the Treaty, including dual-purpose technologies for peaceful and specified military ends; in carrying out this task he should draw from official sources and from contributions by States parties to the Treaty and may use the assistance of appropriate expertise;
>
> "9. *Urges* all States parties to the Treaty to assist the Secretary-General accordingly by providing information and drawing his attention to suitable sources".

2. Pursuant to the request contained in paragraph 9 of the resolution, the Secretary-General addressed a note verbale to States parties to the Treaty inviting them to provide information on the subject. Replies have been received from Côte d'Ivoire, Mexico and Saudi Arabia and are reproduced in chapter II of the present report. Portugal and Switzerland submitted a nil reply. Any other information received will be issued as addenda to the present report.

3. The Secretary-General wishes to point out that the information submitted to him by States parties to the Treaty does not provide sufficient official material for him to report on the subject-matter on the basis indicated in paragraph 8 of the resolution.

# II. Information received from Governments

## A. Côte d'Ivoire

[Original: French]
[8 May 2001]

1. The Permanent Mission of the Republic of Côte d'Ivoire to the United Nations has the honour to recall that Côte d'Ivoire is a party to the Treaty of Pelindaba establishing the African continent as a nuclear-weapon-free zone and that this position was reaffirmed at the Cairo Conference.

2. Côte d'Ivoire, which has been a non-nuclear-weapon State since its independence, implements this treaty in good faith.

3. Côte d'Ivoire, which is primarily concerned about the lives and well-being of its fellow citizens and about systematizing the policy of good neighbourliness and integration in Africa, and which is concentrating more than ever on its economic,

cultural and social development, does not intend to develop nuclear technology for military purposes or to acquire weapons of mass destruction.

4. Côte d'Ivoire does not have any type of nuclear weapon or weapon of mass destruction. A fortiori, it cannot place something which it does not have on the seabed or the ocean floor or in the subsoil thereof.

## B. Mexico

[Original: Spanish]
[29 June 2001]

1. As a State party to the Treaty on the Prohibition of the Emplacement of Nuclear Weapons and Other Weapons of Mass Destruction on the Sea-Bed and the Ocean Floor and in the Subsoil Thereof since 23 March 1984, Mexico supports the adoption of measures that will lead to major advances in the universal prohibition of nuclear weapons and other weapons of mass destruction on the seabed and the ocean floor and in the subsoil thereof, as a step towards the prohibition and eventual destruction of all nuclear weapons everywhere.

2. Mexico regards the Treaty as an important milestone in the prevention of an arms race on the seabed and the ocean floor, which cover two thirds of the surface of the Earth.

3. Having ratified the United Nations Convention on the Law of the Sea in 1982, the Government of Mexico believes that the provisions of the Treaty are perfectly applicable.

4. With regard to the Review Conference of the Parties to the Treaty on the Prohibition of the Emplacement of Nuclear Weapons and Other Weapons of Mass Destruction on the Sea-Bed and the Ocean Floor and in the Subsoil Thereof, Mexico considers that, after three decades since the entry into force of the Treaty, there remain some outstanding issues that could help to determine new measures to improve the Treaty regime.

5. Although the Review Conference entrusted the United Nations Secretary-General with the task of reporting every three years on technological developments relevant to the verification of and compliance with the Treaty, it is clear that the Review Conference needs a specific monitoring or reporting body, established under the auspices of the United Nations.

6. Mexico wishes to stress that, more than 10 years having elapsed since the last Conference of the Parties to the Treaty, in 1989, it is necessary to study the possibilities and conditions for convening the Fourth Review Conference of the Treaty.

7. The topics which Mexico would like the Fourth Review Conference to discuss include issues related to the scope of the Treaty, as regards both its field of application and the inclusion of arms which are not weapons of mass destruction; the need to adopt new measures for the improvement and updating of the Treaty regime; a detailed follow-up on technological innovations relevant to the functioning of the Treaty; the possibility of evaluating the design of a mechanism for Treaty verification; establishing the relationship between the Treaty and the 1982

Convention on the Law of the Sea; and the means and resources available to the Secretary-General for the presentation of reports.

## C. Saudi Arabia

[Original: Arabic]
[20 June 2001]

We should like to state that the Saudi naval forces do not possess any of the weapons in question and that there have therefore been no technological developments relevant to the Treaty and to the verification of compliance with the Treaty, including dual-purpose technologies for peaceful and specified military ends.

United Nations A/56/173

General Assembly

Distr.: General
11 July 2001

Original: English

**Fifty-sixth session**
Item 108 (b) of the preliminary list*
**Macroeconomic policy questions: international financial system and development**

# International financial architecture and development, including net transfer of resources between developing and developed countries

## Report of the Secretary-General**

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* A/56/50.

** This report was submitted after 3 July 2001 because the consultations called for in paragraph 26 of General Assembly resolution 55/186 took one week longer than expected due to the absences of some of those to be consulted.

01-45276 (E) 170801

# I. Introduction

1. The present report has been submitted in response to General Assembly resolution 55/186 of 20 December 2000, and draws upon the analysis and cooperation of various components of the United Nations system, including the Department of Economic and Social Affairs of the United Nations Secretariat, the regional commissions, in particular, the Economic Commission for Latin America and the Caribbean, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), as well as the International Monetary Fund (IMF) and the World Bank.[1]

2. This report is complemented by two addenda as requested by the Assembly. One was prepared by UNDP on international financial stability as a global public good, and the other by UNCTAD reports on its activities to promote long-term private flows for development. While the present report is self-contained, it may read as an update of the report of last year.[2]

3. Section II of the report summarizes recent developments in the net transfer of financial resources to developing countries, while section III examines the main actions taken and concerns raised on policy issues addressed in resolution 55/186. Section IV, which concludes the report, seeks to consolidate further a broader global agenda for a new international financial architecture, situating it within the process that is leading to the United Nations Conference on Financing for Development, which will take place in Monterrey, Mexico, from 18 to 22 March 2002.

# II. Recent financial flows and net transfers

4. Developing countries as a group transferred an estimated $170 billion in financial "resources" in 2000 to other countries.[3] This was about $60 billion more than in 1999, which was itself about $75 billion more than in 1998 (see table 1). Indeed, there have not been significant net financial transfers to the developing countries since the mid-1990s. The increase in net outward transfer in 2000 reflected both positive and negative developments from the perspective of developing countries. On the positive side was the diminished need for net financial flows by oil exporting countries benefiting from a surge in oil prices. On the negative side, many developing countries were in adjustment processes with slow growth paths, with debt repayment and suppressed effective demand for external resources.

5. At the regional level, the largest change was in West Asia, reflecting the steep rise in oil export earnings that far exceeded the financing of imports and allowed accumulation of foreign exchange reserves. On the other hand, the net outward transfer from East and South Asian countries moderated significantly in 2000, as robust economic recovery strengthened import growth, along with a bottoming out of capital outflows. Latin America and the Caribbean produced a small outward net financial transfer in 2000, primarily owing to strong oil and manufactured goods exports in some countries, although reduced access to external credit in Argentina late in the year also had an effect.

Table 1

**Net transfer of financial resources to developing countries, 1993-2000**

(Billions of dollars)

| | *1993* | *1994* | *1995* | *1996* | *1997* | *1998* | *1999* | *2000[a]* |
|---|---|---|---|---|---|---|---|---|
| Developing countries | 66.2 | 34.3 | 39.9 | 18.5 | -5.7 | -35.2 | -111.2 | -169.8 |
| Africa: | 2.5 | 5.1 | 6.0 | -5.1 | -3.3 | 17.0 | 6.3 | -14.5 |
| Sub-Saharan (excluding Nigeria and South Africa) | 19.2 | 3.7 | 10.1 | 12.2 | 12.9 | 13.1 | 16.4 | 15.8 |
| East and South Asia | 10.0 | 1.9 | 22.9 | 24.6 | -28.1 | -127.7 | -125.8 | -102.9 |
| Latin America and the Caribbean | 14.7 | 18.1 | -1.6 | -1.3 | 20.8 | 42.0 | 7.9 | -1.6 |
| Western Asia | 39.0 | 9.2 | 12.6 | 0.2 | 4.9 | 33.5 | 0.4 | -50.8 |
| Memorandum item: | | | | | | | | |
| Heavily indebted poor countries (HIPCs) | 13.0 | 10.7 | 11.8 | 11.9 | 13.6 | 16.5 | 12.8 | 9.2 |

*Source*: *World Economic and Social Survey 2001* (United Nations publication, Sales No. E.01.II.C.1), table II.4, based on data of the International Monetary Fund.

[a] Preliminary estimates.

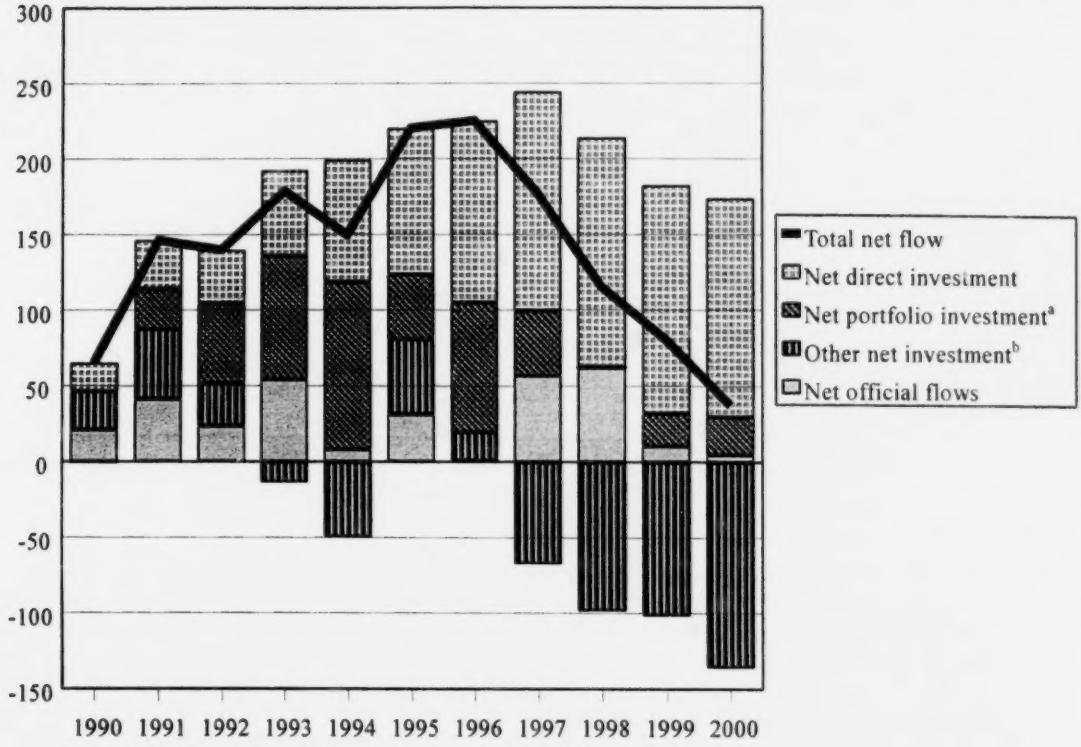
6. The net inward transfer of financial resources to Africa as a whole was reversed in 2000, owing to increased export earnings in several large oil-exporting countries. The net inward transfer of financial resources to cover the balance-of-trade deficits of the oil-importing sub-Saharan African countries were largely sustained, while those to the highly indebted poor countries (HIPCs) were the smallest in several years.

7. These developments in the net transfer of financial resources were mirrored at the level of financial flows to developing countries, with declines in both private and official flows (see figure 1).

**Private flows**

8. Private financial flows in 2000 were restrained by higher investor aversion to risk, in response to weakening equity market prices, especially for relatively speculative stocks in the second half, and spreading concern about a possible global economic slow-down. This shift in investor sentiment was reflected in the rise in the "spread" between the yield on emerging market bonds and United States Treasury bonds, the standard risk-free benchmark instrument. This was particularly visible in the spreads on bonds of South and East Asian economies in the first half of 2000 and of Latin American issues in the second half, the latter very much affected by the burgeoning difficulties in Argentina (see figure 2).

Figure 1
**Net financial flows to developing and transition economies, 1990-2000**
(Billions of dollars)

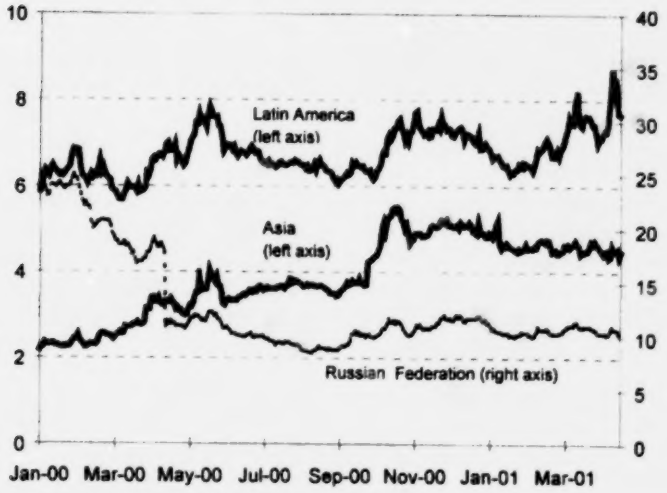



*Source*: *World Economic and Social Survey 2001* (United Nations publication, Sales No. E.01.II.C.1), figure II.3, based on data of the International Monetary Fund.

[a] Including portfolio debt and equity flows.

[b] Including short- and long-term bank lending. It may include some official flows owing to data limitations.

Figure 2
**Yield spreads on emerging market bonds, 3 January 2000 to 30 April 2001**
(percentage points)




*Source*: Data of J.P. Morgan Co., New York.

9. After several months of uncertainty, deteriorating investor confidence was stemmed in mid-2001 when both Argentina and Turkey, a second country threatened by financial crisis, received IMF-led assistance in support of reformulated adjustment programmes. However, persisting uncertainty about global economic growth prospects continued to weigh on investor sentiment, as has concern that the two large country programmes might yet have difficulties.

10. Private credit flows to developing and transition economies in 2000 could be characterized, as in recent years, by a net reduction in the exposure of foreign commercial banks and stagnant net inflows of non-bank credit (mainly bonds). There was continued retrenchment in international bank lending to these countries, further large repayments made by crisis-affected Asian countries, a low demand for new external credit by these countries and, in a different context, by oil-exporting countries, and the loss of access of Argentina and Turkey to the international capital market. One positive consequence has been a lower average ratio of debt to gross domestic product of a number of these countries. On the other hand, borrowing costs for developing and transition economies in international capital markets have remained high since mid-2000, owing to the increase in spreads, despite significant easing of interest rates in developed countries.

11. Foreign direct investment (FDI) flows to developing and transition economies levelled off in 2000 but remained the mainstay of private financial flows.[4] Investment for cross-border mergers and acquisitions in Asia subsided with the end of a wave of asset sales in the countries most affected by the 1997-1998 financial crisis. While countries with large privatization programmes, such as Brazil, Peru and Poland, attracted strong direct investment flows, there was little growth in

"greenfield" investment in new production capacity. Investment flows continued to be concentrated in middle-income economies in Asia and Latin America. Direct investment flows to the transition economies continued to increase. While investment flows to Africa as a whole declined, there were still significant inflows to certain countries, including Egypt, South Africa and the United Republic of Tanzania. In 2000, FDI in Africa was mainly focused on natural resources and infrastructure sectors.

12. There was a widespread retreat by international investors from portfolio equity investment in developing and transition economies in the second half of 2000. What began as a significant inflow of funds to emerging market stocks at the beginning of the year, became only a small net inflow for the year as a whole. Weakness in emerging market stock prices generally paralleled price declines in developed-economy stock markets, which had been precipitated by the downward revision of earnings prospects of stocks in the information technology sector. The rising concern about the growth prospects of developing countries in a global economic slow-down further weakened emerging market stock prices. Global stock prices continued a sharp decline in the first quarter of 2001 and only began to stabilize and show some signs of rebound in the second quarter.

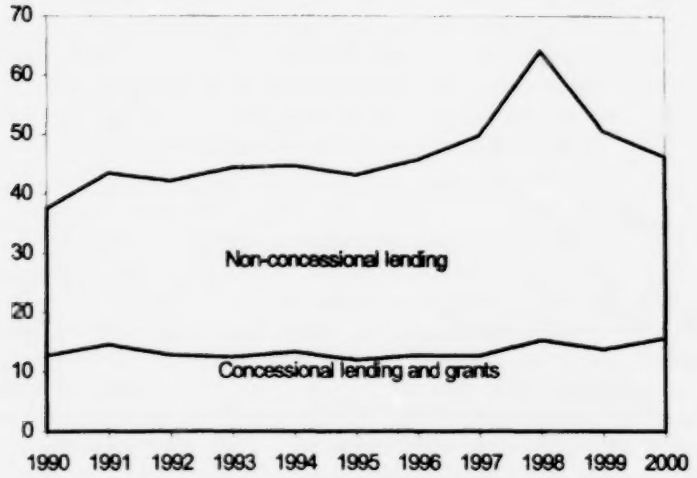
**Official flows and debt relief**

13. The decline in flows of official financing in 2000, as seen in figure 1, reflected the continued abatement of emergency assistance for countries in financial crisis. This was particularly pronounced in the case of IMF, which received a net repayment of funds from developing and transition economies totalling about $10 billion for a second successive year.[5] Similarly, largely owing to the end of the surge in emergency lending operations by multilateral development institutions, total resource commitments (loans and grants) of these institutions were down 8 per cent, measured in constant prices and exchange rates, to a level of $42 billion.[6] Within this total, however, commitments of concessional multilateral funds increased slightly in 2000 after a decline in 1999. Indeed, while non-concessional multilateral development funds, principally from development banks, have shown periods of growth as well as decline in the 1990s, concessional multilateral development commitments have largely held constant (see figure 3 below).

Figure 3

**Multilateral resource commitments, 1990-2000**

(Billions of 1990 dollars)




*Source:* United Nations/Department of Economic and Social Affairs, based on information supplied by individual institutions.

14. Resources for the concessional multilateral programmes are largely provided out of official development assistance (ODA), which also funds bilateral financial assistance and technical cooperation. Total ODA by member countries of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) declined by 1.6 per cent at constant prices and exchange rates in 2000.[7] ODA as a proportion of the combined gross national product (GNP) of DAC members fell to 0.22 per cent in 2000 from 0.24 per cent in 1999, far below the aid target of 0.7 per cent recommended in various United Nations forums.

15. A major factor in the decline in ODA in 2000 was the 18 per cent reduction in the contribution of the largest donor, Japan, as a consequence of the end of its exceptional contributions in the aftermath of the Asian financial crisis. At the same time, contributions of the United Kingdom and a number of other countries rose. The chances for a return to an increase in total ODA flows are uncertain, as the prospects for flows from some of the major donors are problematic. With the highly uneven distribution of ODA effort among donor countries, as measured by the ratio of ODA to GNP, significantly increasing the levels of ODA of many donor countries is one of the main challenges to increasing total ODA flows today. Meeting this challenge is a particularly important part of the effort to realize the commitment to attain the Millennium Development Goals by 2015, including increased ODA for the least developed countries.[8]

16. Furthermore, donors have channelled an increasing proportion of ODA flows to finance the provision of global public goods.[9] While adequate funding of programmes for global public goods is essential, it should not come at the expense

of ODA.[10] Therefore, it is important to explore sources and mechanisms for additional resources for global public goods.

17. As servicing external debt is frequently a major drain on the government budget and on financial inflows, effectively diverting resources from development and poverty reduction efforts, further progress in the implementation of the enhanced initiative for HIPC is also critical to attaining the Millennium Goals. There is broad agreement that, to meet the need for a significant increase in the net transfer of financial resources to support those efforts, official debt relief must not be at the expense of ODA flows. Indeed, debt relief should be complemented by increased ODA, mainly in the form of grants and highly concessional loans.

18. Under the enhanced HIPC initiative, 22 eligible countries reached the "decision point" for debt relief by 31 December 2000, and one more country — Chad — progressed to this point in May 2001, qualifying for interim debt relief. As of early June 2001, only Uganda and Bolivia had reached the "completion point", qualifying for full relief.[11] The 22 countries will receive about $34 billion of debt relief when their programmes are completed, accounting for two thirds of the international expenditure required for the initiative when applied to all eligible countries. Combined with traditional debt relief and additional bilateral debt forgiveness, total debt-service relief is estimated at $53 billion. The debt relief committed under the enhanced HIPC Initiative will halve, or reduce by $20.3 billion in net present value terms, the outstanding debt stock of the 22 countries. The stock of debt as a percentage of exports of these countries will as a result decline to an average of 126 per cent, still quite high, though about half the levels that prevailed prior to debt relief, and will be comparable to those of other developing countries; their debt-service payments will be reduced by about a third.

19. Some obstacles to the speedy implementation of the HIPC Initiative remain, however. Of particular concern are the low levels of funding of the HIPC Trust Fund. Paid-in bilateral contributions totalled only slightly more than a third of the pledged amount at the end of March 2001. Almost all the multilateral creditors have pledged to provide interim relief as countries reach their decision point. The proceeds of about $800 million from the off-market sale of gold by the IMF is expected to cover its commitments to the HIPC Initiative. Debt relief is also funded by the donor countries and international institutions in the form of a reduction in debt-service obligations owed to the World Bank and regional development banks, and this arrangement is implemented on a "pay-as-you-go" basis. It is therefore central to the smooth operation of the HIPC Initiative that contributions to the HIPC Trust Fund be received on a more timely basis.

20. Another concern is the need to expedite the implementation of a programme of debt relief for post-conflict HIPCs. A programme for emergency post-conflict assistance implemented by IMF, should help to accelerate the process.[12] At the same time, flexibility in the implementation of the enhanced HIPC Initiative, taking into account these countries' track record in macroeconomic policy and institutional reform, would accommodate their special conditions.

21. There have also been concerns about the sustainability of the target level of residual debt of individual countries that are receiving relief under the HIPC Initiative. Some of those countries have suffered significant and protracted deterioration in their terms of trade. As the calculation of the projected export revenues and government revenues of HIPCs did not take these developments into

account, the possibility has been recognized that countries in these circumstances could fall back into an unsustainable debt situation.[13] In such circumstances, adequate additional assistance would be needed, preferably in the form of grants, in order to secure the exit from debt crisis that was sought.

22. In addition to the special needs of the HIPCs, many other developing and transition economies have unmanageable levels of debt and/or a serious mismatch between their financing needs and the maturity structure of their debt. This level and profile of debt leave them vulnerable to abrupt adverse changes in domestic or international economic factors. Improved debt management systems in these countries can play an important part in alleviating this problem.

23. Because most of these countries have access to international capital markets they are obligated to private as well as official creditors. While there is agreement that resolution of debt crises for such countries requires debt restructuring, there is also concern about some of its possible effects. Firstly, there is the risk of "moral hazard", that is, encouragement given to private creditors to take higher risk (see section III.E). Secondly, and related, is a concern over the possibility that debt relief for these countries will reduce multilateral resources available to other developing countries.

24. As the Paris Club is the centre of restructuring of official bilateral debt, continued improvement is needed in the development of clearer principles and more transparent mechanisms for resolving official debt problems. In addition, incentives should be enhanced for all bilateral creditors to participate fully in debt negotiations.

25. As it appears that private creditors have often underestimated the risks in their lending decisions, the international community is committed to efforts to involve private creditor participation in debt workouts in future debt crises. The necessary mechanisms and the coordination between private and public creditors are being developed in various forums (see section III.E).

# III. Reform of the international financial architecture

26. In the wake of the Asian crisis, a broad consensus quickly developed on the need to reduce excessive instability in international economic and financial activity or contain its consequences. By the end of the decade, there was general agreement on broad policy goals to do so, including a sound and stable macroeconomic environment and well-functioning and robust financial systems. These were required in both capital exporting and capital importing countries.

27. There has also been considerable agreement on many of the elements needed to achieve these goals and many of the general conclusions reached over the past several years are being turned into concrete policies and practices. This does not mean that there are no disputes, but policy makers around the world are operating largely from a common assessment of what policies to implement in several areas and the focus has shifted to implementation, assessment and refinement. The major international financial institutions have also been rethinking how best to assist countries in this regard. One of the outstanding issues is how to better integrate the views and needs of all countries into the process for further elaboration of the new international financial architecture.

28. The shift in emphasis to implementation means that technical assistance focused on the particular needs of each country has become a key requirement for the effectiveness of work on the reform of the international financial architecture. Technical assistance and support are crucial to ensure that no country is left behind in the efforts to raise financial resilience globally. It is thus important both to strengthen cooperation among different multilateral and bilateral providers and, given the strong and growing demands for technical assistance, to mobilize additional resources for it.

29. Despite significant progress in reforming the international financial architecture, there is no room for complacency. The recent crisis episodes in Argentina and Turkey are a powerful reminder that much more needs to be done. Also, policy makers have to stand ready to cope with possible disruptions to both the financial system and the real economy caused by imbalances built up in the recent long phase of economic expansion.

## A. International standards and codes[14]

30. A fundamental part of the strategy for reform of the international financial architecture is to encourage countries to strengthen their financial and macroeconomic policy systems by establishing international standards and codes of good practice and then promoting their widespread implementation. The key standards and codes cover such areas as transparency in government, financial sector supervision, corporate governance, and appropriate legal and institutional frameworks.

31. The standards and codes are developed in specialized bodies with varying membership. Some of the standards and codes have been developed in IMF (e.g., on financial statistics, monetary and financial policy transparency) and others have been designed in developed country forums (e.g., banking supervision in the Basel Committee on Banking Supervision, corporate governance in OECD). In the latter types of cases, some developing and emerging economies have questioned whether they should be required to apply codes that they have not participated in developing. In response, some limited membership bodies have made efforts to consult with non-member countries, although there is a consensus that more can be done in raising the participation of developing countries in the process as a whole.

32. Another concern is the growing number of new standards. Up to 80 different standards have been issued by various bodies. To cope with the avalanche of standards, the Bretton Woods institutions as well as the Financial Stability Forum (FSF), have had to pick out a core group of standards directly related to promoting sound financial systems (see table 2 below).

Table 2
**Key standards for sound national financial systems identified by the IMF and World Bank[a]**

| *Subject area* | *Key standard* | *Issuing body* |
|---|---|---|
| Data dissemination | Special Data Dissemination Standard (SDDS)/General Data Dissemination System (GDDS) | IMF |
| Fiscal policy transparency | Code of Good Practices on Fiscal Transparency | IMF |
| Monetary and financial policy transparency | Code of Good Practices on Transparency in Monetary and Financial Policies | IMF |
| Banking supervision | Core Principles for Effective Banking Supervision | BCBS[b] |
| Insurance supervision | Insurance Core Principles | IAIS[c] |
| Securities regulation | Objectives and Principles of Securities Regulation | IOSCO[d] |
| Payments systems | Core Principles for Systemically Important Payment Systems | CPSS[e] |
| Corporate governance | Principles of Corporate Governance | OECD |
| Accounting | International Accounting Standards (IAS) | IASB[f] |
| Auditing | International Standards on Auditing (ISA) | IFAC[g] |
| Insolvency regimes and creditors' rights | Principles and Guidelines on Effective Insolvency and Creditor Rights Systems | World Bank |

*Source*: International Monetary Fund, Public Information Notice No. 01/17, 5 March 2001.

[a] The Financial Stability Forum (FSF) has highlighted a set of 12 key standards, with 11 standards being the same in both the FSF and the Fund/Bank lists. The FSF addition is "The forty recommendations of the Financial Action Task Force on Money Laundering" (http://www.fsforum.org/Standards).

[b] Basel Committee on Banking Supervision.

[c] International Association of Insurance Supervisors.

[d] International Organization of Securities Commissions.

[e] Committee on Payments and Settlements Systems.

[f] International Accounting Standards Board.

[g] International Federation of Accountants.

33. Initially, the work on international standards and codes was seen as a way to place countries into separate groups according to their degree of adherence to particular uniform rules and regulations, with the laggards being "punished" by the international community or financial markets. Now the mainstream view is that the focus on standards and codes is a cooperative voluntary effort to strengthen the global system as a whole and thus both the international and domestic economic and financial environments.

34. To best serve these objectives, the expected degree of country implementation of international standards and codes should take account of different stages of economic and capital market development, administrative capacities and reform policies, as well as cultural and legal traditions. Consequently, implementation requires prioritization even of core standards according to each country's unique circumstances. At the same time, ways should be found to combine appropriate differentiation in implementing and assessing standards with the need to maintain their universality.

35. Assessment of observance of standards and codes conducted by the IMF and the World Bank can have an important role in improving countries' basic infrastructure for growth and stability. It is essential that such assessments not be made in a mechanical "pass-fail" manner. Instead, they should help countries to prioritize relevant standards and/or their parts, as well as gradually improve compliance with them.

36. Implementation of standards will affect the pricing or allocation of credit or investment in an economy only to the extent that market participants use information on that economy's observance of standards in their business decisions. Due to the recent origin of many standards, most market participants are not familiar with them or with the Fund/Bank assessment work. In September 2000, the FSF thus made recommendations aimed at raising the general level of awareness of standards among market participants. The outreach exercises by FSF, as well as by the IMF and World Bank, have already brought results in that several private financial institutions have begun to incorporate the results of standards assessments into their decision-making process.

## B. Exchange-rate and capital account regimes

37. One area of international financial policy in which practices differ substantially among countries is the choice of exchange-rate and capital account regimes. Recently, the debate on the choice of appropriate exchange-rate regime for developing countries has focused on the bipolar or "two-corner" solution. According to the proponents of this view, countries that choose to be fully open to international capital flows have no viable alternative between, on the one hand, rigid pegging of the exchange-rate, such as the use of a currency board or dollarization (eliminating the domestic currency), and, on the other hand, free floating of the exchange-rate. They argue that intermediate policy regimes between hard pegs and free floating are not sustainable. This view draws from the fact that each of the major international financial crises since 1994 involved countries with pegged but adjustable exchange rates. Since the Asian crisis, emerging economies have moved generally towards more flexible exchange-rate regimes, while a few countries have adopted the dollar as their national currency.

38. It seems, however, that the two extreme regimes, especially the "hard peg", may be appropriate only in limited circumstances. There exist a wide variety of flexible rate arrangements and possible degrees of openness of the capital account that could reconcile stability with flexibility and suit each country's growth and development objectives. Besides the degree of capital account openness, other factors that affect choice of exchange-rate regime include the size of the economy, trade and investment structure and the level of economic and financial development. As these circumstances change, so does the nature of the required exchange-rate regime.

39. All along the development spectrum, consistency is especially important between the level of financial openness and the exchange-rate regime. While indicators of greater financial development are associated with less stringent capital controls and more flexible exchange-rate arrangements, one of the lessons of the crises of the 1990s is the importance of preparing the financial sector for the volatility that accompanies increased openness. Moreover, even countries that applied industrialized-country style regulation, supervision and auditing have been hit by financial crises. Thus, even if successfully implemented, a robust financial sector may not sufficiently protect small emerging economies from the volatility of international capital flows. For such countries, an additional line of defence may include prudential regulations limiting short-term capital flows and the foreign exchange exposures of financial intermediaries.

40. The present consensus view is that to maximize growth and development opportunities while minimizing risks, integration into the global financial system should be gradual and carefully prepared. As part of this preparation, the international community must provide practical advice and technical assistance on the sequencing of financial sector development, capital account liberalization and corresponding changes in exchange-rate regimes.

## C. Multilateral surveillance and monitoring

41. Multilateral surveillance of national economic and financial policies is a second major pillar of the international financial architecture, following standards and codes. Surveillance is both a service to individual countries and a global public good. It is the primary tool available to the international community for crisis prevention. The International Monetary Fund has primary responsibility for multilateral surveillance. Along with this global institution, there are arrangements among regional and subregional groupings of countries for mutual surveillance. These arrangements are a useful supplement to multilateral surveillance and should be further encouraged.

42. Beyond the traditional macroeconomic policy areas, surveillance is now focusing on improvement of the transparency of countries' policies, and the development and implementation of the various standards noted above. Also, increased attention is being paid to the identification and reduction of specific domestic and external vulnerabilities that can increase the potential for financial crisis.

43. In the latter area, particular attention has recently been given to the financial markets, both domestic and international, and their implications for the sustainability of capital flows. In March 2001, IMF and the World Bank finalized

guidelines for public debt management and a handbook on the development of domestic public debt markets. Both documents provide useful tools to help countries to address issues that can arise from volatile capital flows. Also, a preliminary draft of Reserve Management Guidelines was circulated by the Fund for comments. It is expected that revised draft guidelines, as well as a technical paper on early warning systems will be ready before the September 2001 meeting of the International Monetary and Financial Committee of IMF.

44. In May 1999, IMF and the World Bank launched the Financial Sector Assessment Programme (FSAP) to strengthen the focus on monitoring financial sectors. This joint monitoring and assessment initiative is aimed at identifying the strengths, vulnerabilities and risks of the financial system of individual countries, and then helping them to design policy responses and ascertaining the sector's development and technical assistance needs.

45. In setting priorities for which countries to assess, emphasis has been placed on systemically important countries, although the approach is applicable generally. After assessment of 12 pilot countries, experience has shown that the analysis of the financial sector as a whole by a multidisciplinary team of experts can offer valuable insights regarding the weaknesses of domestic financial systems. Indeed, both developed and developing countries have expressed strong demand for participation in the FSAP, which is voluntary. After the pilot phase, the programme aims to cover around 25 countries each year.

46. Along with FSAPs for domestic capital markets, there have been several initiatives aimed at improving understanding, monitoring and surveillance of global capital markets and strengthening the capacity for addressing systemic issues related to capital market development. In order to deepen work in this area, IMF decided in March 2001 to create a new International Capital Markets Department. The Fund has also expanded its discussions with financial market participants through its new Capital Markets Consultative Group. This complements the strengthening of domestic financial markets in capital-importing countries by seeking to reduce volatility at the source of funds.

47. There has also been some progress in the implementation of the recommendations set out in the reports of the FSF Working Groups on Highly Leveraged Institutions (HLIs), Capital Flows, and Offshore Financial Centres (OFCs). Since the reports were published in March 2000, actions have been taken by some OFCs to enhance their supervisory, regulatory, cooperation and information practices. Also, in cooperation with IMF, some of these jurisdictions have started programmes that involve voluntary assessments of implementation of relevant standards, as well as measures to ensure greater transparency and better provision of statistical information by OFCs. Nevertheless, not all OFCs have demonstrated their commitment thus far to meet the relevant international standards. In this regard, it is important to note that financial activity represents the major source of budget revenues for several OFCs. The introduction of international standards will likely diminish the attractiveness of these jurisdictions and thus their earnings from financial activities. Consequently, there is a need for assistance to develop more diversified economic structures.

48. With regard to HLIs, improvements have been made in the management of counterparty risk by HLIs and in the regulatory oversight of the banks that lend to HLIs. Also, in February 2001 a group of 16 major international commercial and

investment banks released a set of trading principles for foreign-exchange market activities. The principles address many of the concerns about trading practices that have the potential to disturb market dynamics in small and medium-sized countries. At the same time, the progress in the area of mandatory public disclosure by HLIs has been limited. Consequently, there is a need for continuing implementation efforts by firms and national regulatory authorities.

49. Efforts to increase transparency of cross-border financial operations have not been limited to OFCs and HLIs. In April 2001, the Basel Committee published the results of a two-year study on public disclosure practices of internationally active banks. The major finding of the report is that, although significant progress has been made over recent years to improve the quality and level of disclosure, disclosure practices have not kept up with the changes in how banks conduct their business and measure their risks. This raises the question of how much information banks should make available to financial market participants who buy and sell financial instruments in various currencies, without unnecessarily moving the boundary between public and proprietary information.

50. One of the outcomes of the ongoing process of financial consolidation has been the creation of very large and complex financial institutions. This development has given rise to concerns that the failure of such an institution may have negative repercussions on the stability of the international financial system. In the light of these concerns, the FSF, the Finance Ministers and Central Bank Governors of the Group of 10 and the Basel Committee formed a joint task force in 2000 to review the modalities for dealing with a very large and complex institution should it get into financial difficulty. A number of preparatory measures to reduce the impact of the failure of such a firm on other market participants were identified. These measures are being reviewed by various national authorities.

51. The increasing sophistication of global financial markets also calls for disclosure in different countries to be sufficient and broadly consistent. That will require further harmonization of accounting standards.

52. In general, significant efforts have been made to improve risk management at financial institutions. In this regard, special attention has been given to a new Basel Capital Accord for banks to replace the Capital Accord of 1988. The major purpose of the new framework is to better align regulatory capital requirements of banks with underlying risks and encourage more effective supervision by banking regulators. The new Accord is expected to be finalized by the end of 2001 and implemented by 2004. It is widely agreed that the proposals are a major step forward. Still, further analysis of the potential impact of the proposed new Accord is needed before implementation. Indeed, there are concerns that the implementation of the new framework may result in a significant reduction of bank lending to much of the developing world. Also, it has been argued that the new Accord encourages "pro-cyclical" lending (that is, creating incentives for excessive lending during booms and more severe lending cutbacks during recessions).

## D. Terms and conditions for international assistance

53. The international community has long appreciated that all countries, even the best-managed economies, may need to seek international financial assistance to help to cope with a balance-of-payments problem. The primary source of such assistance

is IMF, and one issue of special concern to the developing and transition economies that draw on IMF support is the terms and conditions for it.

54. In November 2000, IMF implemented important changes to its non-concessional loan facilities. To discourage prolonged use of and deter inappropriately large drawings from IMF resources, the Fund introduced time-based repayment expectations and interest surcharges on credit outstanding above certain levels under Stand-by Arrangements and the Extended Fund Facility (EFF). Also, it was decided that the EFF should be used only in well-defined cases where longer-term official financing is appropriate owing to the country's structural balance-of-payments situation and limited access to private capital. In addition, four little-used facilities that had been established to meet specialized needs were eliminated.

55. A central element of the review of Fund financial facilities was the modification of the Contingent Credit Line to make it more attractive to potential users. Modifications included less intensive monitoring arrangements, greater automaticity in the disbursement of resources once a commitment was made by the Fund, and reduced cost of borrowing.

56. In a related step, the policy conditions that IMF attaches to use of its funds are being reviewed. There is general agreement that the number and detail of structural policy conditions attached to IMF loans in the 1990s were too extensive and restrictive to be fully effective. There are also concerns that excessive conditionality may have undermined the national ownership of programmes and impeded their implementation.

57. The intent of the IMF review is not to weaken conditionality, but to make it more effective and less intrusive and to enhance programme ownership. Accordingly, conditionality is to be better focused on policies essential to restoring and maintaining macroeconomic stability and growth. Structural issues will be covered only if they are critical for these objectives. The difficulty is where to draw the line between what is critical and what is not.

58. At the same time, streamlining IMF programmes is not simply a matter of focusing on macroeconomic conditions. Very often a country needs to tackle structural issues that are not in the Fund's area of expertise in order to reach sustainable macroeconomic outcomes. This would require closer collaboration in programme design between IMF, the World Bank and the other international institutions with specialized mandates and expertise in relevant policy areas.

59. The review of conditionality should also pay particular attention to social aspects of adjustment programmes. Protecting the most vulnerable must be a priority, and so too must reaching the international development goals. This means that social expenditures, especially for health and education, must be preserved. In this regard, there have been proposals that for each adjustment programme, there should be an analysis of the necessary social sector support mechanisms.

60. To supplement IMF activity in countering balance-of-payments crises, new financing arrangements are being put in place at the regional level. In May 2000, 10 member nations of the Association of Southeast Asian Nations (ASEAN) plus China, Japan, and the Republic of Korea adopted the Chiang Mai Initiative. The "ASEAN+3" countries proposed to strengthen regional financial cooperation through an expanded network of swap facilities among their central banks. The initiative involves extending the existing ASEAN swap arrangements and

establishing a network of bilateral swap arrangements between the ASEAN countries, China, Japan and the Republic of Korea. The countries also agreed to strengthen the regional policy dialogue and cooperation activities in the areas of surveillance and monitoring, including capital flows. Since then, the ASEAN countries have agreed on the new expanded ASEAN Swap Arrangement and a consensus has been reached over the basic framework and main principles for the bilateral swap arrangements.

61. The participants in the agreement have stressed that the regional swap arrangements are a complement to existing international financing facilities, in particular, those provided by IMF. The importance of the coherence and consistency between regional monetary cooperation tools and IMF facilities has also been emphasized. Under ASEAN+3, the activation of loans beyond 10 per cent of the agreed bilateral lines will take place in the context of IMF-supported programmes.

## E. Private sector involvement in crisis prevention and resolution

62. There is broad appreciation that the international imperative to help countries to fight financial crises, ipso facto, creates a moral hazard in which private creditors come to believe they will be rescued in the event of crisis. They therefore take excessive risk in lending. To counter this, the international community now requires private sector involvement in crisis resolution; this can involve rolling over maturing loans in a crisis or extending new loans or accepting partial repayment of obligations through renegotiation. At the same time, in order to boost confidence of private creditors and encourage private financial flows, the international community has sought to involve them in crisis prevention activities.

63. There has been progress, in this regard, in the development of a framework on private sector involvement (PSI) in crisis prevention and resolution. Such a framework was agreed upon at the IMF/World Bank annual meeting in Prague in September 2000. The basic principle of the framework is that private investors and creditors have to bear the consequences of their decisions. Consequently, neither creditors nor debtors should expect to be fully protected from unfavourable outcomes by official action.

64. For a country in crisis, the framework begins with an assessment of its payment capacity and prospects of regaining market access. In most cases, the combination of catalytic official financing and policy adjustment should be enough for a country to regain market access quickly. However, in some cases, such as when a country faces a large short-term financing requirement but private markets are closed (i.e., unwilling to lend) or if its debt burden has become unsustainable, the country's private creditors would need to be brought together for collective action to limit their demands for immediate repayment and agree on the orderly restructuring of the country's debt obligations as a complement to international official assistance. The Prague framework also made it clear that in certain extreme situations, a temporary payments suspension or standstill may be unavoidable.

65. Both the Prague framework and its application in Argentina and Turkey, as well as in sovereign debt restructuring involving bonds issued by smaller countries, have made the private sector more aware that PSI will be a standard element of crisis resolution. However, it is a widely shared view that it is necessary to go further in reinforcing a clear set of presumptions that private sector involvement will

be at the centre of crisis resolution. This means moving further away from the ad hoc model of crisis resolution while retaining the flexibility needed to deal with individual cases and avoiding an overly detailed involvement by the international community. Consequently, work on the development and implementation of the framework to deliver still greater clarity and predictability to market participants should be continued.

66. In this regard, several areas of the framework, including assessment of a country's payment capacity and prospects for regaining market access, the conditions and modalities for implementing temporary standstills, comparability of treatment among creditors, and the lending into arrears policy need to be further clarified. Also, the further development of mechanisms to improve communications between debtor countries and their creditors, as well as between multilateral organizations and the private sector, should be encouraged.

67. Although central to crisis resolution, PSI should not be a substitute for official emergency financing, but complement it. Pure market solutions could be unacceptably harsh and painful. This calls for an appropriate balance between official financing packages and PSI.

# IV. Conclusion: global cooperation in a globalized world

68. Amid dramatic increases in global trade, direct investment and capital flows, there has been a growing tendency for economic changes in any country to increasingly reflect developments worldwide. Given these powerful linkages, the stability of the international economic and financial system and its responsiveness to the challenges of development and to the promotion of economic and social equity have increasingly been viewed in the broader context of world economic governance.

69. During the 1990s, there was a burgeoning criticism of the emphasis of multilateral policy prescriptions on reducing excessive inflation, liberalizing market prices and opening access to foreign financial and investment inflows. Sometimes characterized as "sound macroeconomic policy and getting prices right", these recommendations ignored fundamental institutional prerequisites for the policies to work and they were insufficiently sensitive to the social impact of policy reform, especially on vulnerable population groups. They also ignored the politics of economic reform, which requires that there be a political sense of "ownership" in order to be more confident of implementation.

70. Today, it is recognized that social justice and economic growth should not be at odds with one another, but intertwined. This new approach requires all major players — individual Governments, multilateral institutions, the private sector, and non-governmental organizations — to work together more cooperatively. Making globalization work for the benefit of all, including the poorest countries and the poorest people, requires global cooperation.

71. To achieve a more stable and development-friendly international financial system, the responsibility lies, first and foremost, with national policy makers. Thus, many developing countries and transition economies are making substantial efforts to strengthen their financial sectors and pursue sound macroeconomic policies. These efforts should be further encouraged.

72. But this process should not be a one-way street. As in developing and transition economies, there are structural adjustment imperatives in developed countries. Given that economic developments in the major industrialized countries play a key role in setting the international economic environment for development, the major industrialized countries should pay more attention to the coherence of their policies with the global development objectives and priorities that they sponsor and endorse. For example, there are global as well as domestic reasons for an accelerated opening of the protected sectors of developed-country markets to foreign trade. Those who call for "free trade" should do so consistently. However, their willingness to confront specially protected economic interests in their own overall national interest is often weaker than they expect and has been evidenced in reforming developing and transition economies.

73. There is a matter here as well concerning global governance. As economic integration increases, so does the role of international organizations. The effectiveness of international institutions is fundamental to a strong and stable global economic and financial system. It is important to strengthen and broaden the popular sense of the political legitimacy and international support of multilateral economic actions, i.e., to form clear and strong political links between multilateral institutions and different groupings of countries. To carry out the missions of the international forums and institutions effectively, all members need not only to be properly represented, but also to have an effective voice in policy-making and to participate appropriately in decision-making. As all countries are to be subject to the global rules, the process for setting those rules should be more participatory. This would allow each forum or institution to benefit from the diverse perspectives of all concerned countries, which in turn would boost the effectiveness of operations as well as to promote a sense of ownership and trust.

74. In addition, emphasis should be placed on enhancing consistency, coherence and complementarity among different international bodies dealing with financial, trade and developmental issues. Some arrangements for such cooperation and coordination already exist. Nevertheless, much more is needed to further extend and strengthen coherence and consistency among international financial institutions, the World Trade Organization, the United Nations and different forums and committees. This should be a priority of the Financing for Development process.

75. More effective cooperation among international bodies requires improved coordination at the national level among different ministries of government. This is warranted as well for domestic policy coherence.

76. Economic and financial cooperation among regional groups of countries can effectively complement activities at the global level. Regional groups offer opportunities for macroeconomic consultation and coordination, monitoring financial vulnerabilities and administering schemes for mutual assistance, the ASEAN+3 initiative noted above being a case in point. Regional initiatives may also play an important role in representing the interests of developing countries in international institutions and forums. By this means, the structures and processes in global institutions could become broadly inclusive without being unwieldy and ineffective.

77. As the private sector accounts for the overwhelming share of international financial flows, it has important and indispensable responsibilities in crisis prevention and resolution. Thus far, the discussion of the contribution of the private

sector to international economic and financial stability has mainly focused on "bailing in" the private sector in crisis resolution. As noted above, this is not enough and attention has increasingly turned to the private sector role in crisis prevention.

78. In this regard, enhanced dialogue, active and regular two-way contact on policy issues aimed at more stable private sector activity, particularly in emerging markets, could be developed. This presupposes much more advanced levels of interactions and partnership, both nationally and globally. Through such a dialogue, a framework could be developed that would provide a greater degree of clarity about the respective roles, intentions and actions of the parties involved. The recent creation in IMF of the Capital Markets Consultative Group, a dialogue mechanism with large private financial institutions, as noted earlier, is an important initiative in this regard. Modalities for such interchanges more generally in the financial arena are being considered in the Financing for Development process, which has itself embarked on a number of business-sector/governmental interactions to help advance thinking in this area.

79. A closer collaboration with civic groups and non-governmental organizations representing civil society is equally on the agenda for strengthening international processes. The contribution of civil society to multilateral discussions is increasingly seen as vital. It has become clear that acceptance of any international action by global public opinion is of great importance. Little can be successfully accomplished unless it is supported at the grass-roots level.

80. Globalization of economic and financial activity has had dramatic consequences for national economies and for the resulting inter-State and multilateral efforts to manage it. Enhanced global governance requires complementary and enhanced exchanges among all the parties concerned. The United Nations should be among those that bring their own perspective to identifying emerging issues and policy gaps and that convene and facilitate policy dialogue and consensus-building on global economic, financial and development problems. The Conference on Financing for Development to be held in Mexico in March 2002 will be one opportunity for the Organization to fulfil that role.

*Notes*

[1] Flagship reports of these entities containing more detailed information and analysis than can be included in this report include *World Economic and Social Survey, 2001* (United Nations publication, Sales No. E.01.II.C.1); UNCTAD, *Trade and Development Report, 2001* (United Nations publication, Sales No. E.01.II.D.6); UNCTAD, *World Investment Report, 2001* (United Nations publication, Sales No. E.01.II.D.12); IMF, *World Economic Outlook, May 2001*; and World Bank, *Global Development Finance, 2001*.

[2] "Towards a stable international financial system, responsive to the challenges of development, especially in the developing countries" (A/55/187 and Add.1 and 2).

[3] The data and analysis in this section are largely drawn from *World Economic and Social Survey, 2001*, chap. II. The net transfer of financial resources essentially comprises the net capital inflow minus the net outflow of investment income; it finances the balance of trade in goods and services (for additional detail on the concept, see *World Economic Survey, 1986* (United Nations publication, Sales No. E.86.II.C.1), annex III.

[4] For further detail on FDI, see UNCTAD, *World Investment Report, 2001* (United Nations publication, Sales No. E.01.II.D.12), and United Nations, *World Economic Situation and Prospects, 2001* (United Nations publication, Sales No. E.01.II.C.2), chap. II.

[5] See *World Economic and Social Survey, 2001*, tables A.23 and A.24.

[6] Ibid., table A.27.

[7] One factor in the fall in ODA in 2000 is definitional: the DAC no longer classifies assistance to the following countries or territories as ODA: Aruba, French Polynesia, Gibraltar, Republic of Korea, the Libyan Arab Jamahiriya, Macao (China), the Netherlands Antilles, New Caledonia, Northern Marianas and the Virgin Islands (U.K.). Adjusting for these changes, total ODA fell by only 0.2 per cent at constant prices and exchange rates. The effect of this reclassification is most apparent in the ODA of France (see OECD, "Special factors explain lower official development assistance (ODA) outcome: Development Assistance Committee announces ODA figures for 2000", Paris, 23 April 2001).

[8] See "United Nations Millennium Declaration", General Assembly resolution 55/2.

[9] World Bank, *Global Development Finance, 2001* (Washington, D.C., 2001), pp. 109-110.

[10] For an elaboration of this view by the United Nations Executive Committee on Economic and Social Affairs, see "*Towards a new aid compact*", report of the Executive Committee on Economic and Social Affairs, New York, 20 June 2001 (available at www.un.org/esa/coordination/ecesa).

[11] For additional discussion, see "The external debt and debt-servicing problems of developing countries, including those resulting from global financial instability", report of the Secretary-General (A/56/262). For a detailed analysis of the effects of debt relief on selected debt indicators of these countries, see the report to the Development Committee, "Heavily Indebted Poor Countries (HIPC): Progress report", Washington, D.C., 19 April 2001.

[12] As at March 2001, the countries that were deemed for HIPC purposes to be involved in armed conflict were: Angola, Burundi, Central African Republic, Democratic Republic of the Congo, Guinea-Bissau, Myanmar, Rwanda, Sierra Leone, Somalia and Sudan. Ethiopia recently emerged from an armed conflict situation, signing an agreement to end hostilities on 18 June 2000. (See also Communiqué of the Joint Session of the International Monetary and Financial Committee and the Development Committee (Washington, D.C., 29 April 2001), para. 10.)

[13] See International Development Association (World Bank) and IMF, "The Challenge of Maintaining Long-Term External Debt Sustainability" (Washington, D.C., 18 April 2001), p. 1.

[14] For more detailed analysis of these issues, see "Towards a stable international financial system, responsive to the challenges of development, especially in the developing countries", A/55/187, paras. 24-41.

United Nations A/56/173/Add.1

General Assembly

Distr.: General
11 July 2001

Original: English

**Fifty-sixth session**
Item 108 (b) of the preliminary list*
**Macroeconomic policy questions: international financial system and development**

# International financial architecture and development, including net transfer of resources between developing and developed countries

## Report of the Secretary-General**

**Addendum**

## Financial stability and market efficiency: a global public goods perspective

**Note by the United Nations Development Programme**

## Introduction

1. In paragraph 7 of its resolution 55/186 the General Assembly requested the Secretary-General, in collaboration with the United Nations Development Programme (UNDP), to provide information at its fifty-sixth session on the analysis undertaken of international financial stability as a global public good. The present note responds to that request. The discussion in the present note is also relevant to the preparations for the forthcoming International Conference on Finance for Development, notably its agenda item on respectively, international financial cooperation for development and systemic issues.[1]

2. The request for the note was sparked by the UNDP-supported publication on global public goods (GPGs), which includes, among other things, a chapter on financial stability as a GPG.[2] This chapter argues that financial crises and the excessive financial volatility they entail constitute a global public bad. They can undermine countries, even if everything is going right at the national level; and their contagion effects can spread indiscriminately, to neighbouring countries as well as across regions. The author

* A/56/50.

** This report was submitted only on 10 July 2001 because some of those invited to comment on the draft were delayed in so doing.

[1] Information about the Conference can be found at http://www.un.org/esa/ffd.

[2] See, Wyplosz, Charles (1999), "International Financial Stability" in: Inge Kaul, Isabelle Grunberg and Marc A. Stem, eds. *(1999), Global Public Goods: International Cooperation in the 21st Century.* (New York: Oxford University Press), pp. 152-189.

01-45288 (E) 090801

highlights the importance of self-fulfilling crises, i.e. crises that are triggered by information asymmetries and uncertainty, and when a confidence loss occurs, propelled by the herd behaviour of investors (Wyplosz 1999, pp. 161-163).[3] The publication of the book, and notably, that of the chapter on financial stability, engendered a series of follow-up debates, at the country, regional and international levels, within academic, market-actor, civil society and public policy-maker circles.[4] These debates, as well as UNDP's further research on the topic, have demonstrated that examining the issue of financial stability and market efficiency through the GPG lens helps to generate new, policy-relevant insights. The GPG lens draws attention to policy options, which emphasize mutual interest and common concerns as well as pragmatic and practical change, thus strengthening the motivation on the part of all to act and to move ahead.

3. Four policy messages, in particular, stand out:

- In order for the GPG "financial stability and market efficiency" to help to foster the development of all, its design must be anchored in national policy goals and conditions and reflect the diversity of countries, actors and stakeholders.
- Broad participation in international financial policy-making is not a favour but a must to avoid collective-action and information problems.
- The GPG "financial stability and market efficiency" will emerge only if *all* building blocks are in place — its national, regional and global elements as well as required public and private contributions.
- Capacity-building in developing countries is critical to progress in the aforementioned areas and would, most appropriately, be financed out of the seigniorage[5] earned by the central banks of industrial countries.

4. The following sections will elaborate these findings. As suggested in the conclusion, a number of the policy reforms discussed here are already beginning to take place, yet this so far only in an incipient, and often, ad hoc and isolated way. The forthcoming Financing Conference provides an opportunity to integrate these change processes and adjust the global financial architecture to today's development realities and objectives.

## I. In order for the GPG "financial stability and market efficiency" to have positive utility and help to foster the development of all, its design must be anchored in national policy goals and conditions and reflect the diversity of countries, actors and stakeholders.

5. Markets are public goods par excellence. They are open to all wishing and able to enter into an economic exchange.[6] In this sense they are non-

[3] It might be useful to present here Wyplosz' distinction between pecuniary and non-pecuniary externalities. The author writes (1999, p. 159): "The world financial market is not just an amazingly powerful institution – it is also a vehicle for powerful externalities. Many of these externalities are pecuniary: country and exchange risk premiums are usually based on an extensive credit rating industry, which monitors, at a cost, economic and political conditions around the world. But even the business of credit rating faces the problem of asymmetric information." And therefore, markets sometimes fail to adequately price risks ahead of time. In addition, as Wyplosz' argument continues, "[...] some externalities are non-pecuniary. For example, as the [1999] crisis occurred in Thailand, markets reacted violently (adverse selection) and indiscriminately, spreading the crisis throughout South-East Asia and beyond to Brazil, Poland, the Russian Federation and several other countries. This externality cannot be priced adequately. There is an emerging market premium, but it fails to take into account the phenomenon of contagion."

[4] For some of the written follow-up contributions, applying the GPG concept to issues of financial stability and market efficiency, see, for example, Camdessus (1999); Development Committee (2001); Eichengreen (2001); International Financial Institutions Advisory Commission (IFIC) (2000); Ocampo (2001); Scholte and Schnable (2001); World Bank (2001).

[5] Seigniorage is the Government's ability to raise revenue through its right to create money.

[6] Of course, markets have access barriers. They can be enjoyed only if a person has something to trade. The poor often have little use for this institution, since they lack purchasing power or the means that would enable them to produce and trade goods or services. However, access problems must be distinguished from the publicness of the good's benefits/costs. Even though they lack access, the poor also have a keen interest in markets, because, if markets collapse, they, too, may be affected and experience wider and deeper poverty. Other market access/entry issues concern the question of licensing, e.g., the licensing of banks. This practice is intended to reduce information asymmetries. Once licensed for particular transactions, actors can freely enter the market.

excludable, and thus, meet the key criterion that distinguishes public from private goods.[7] Markets are also what economists call non-rival in consumption. This means their enjoyment by one person does not diminish their utility for others. On the contrary, market efficiency tends to benefit from expanding market size and diversification.[8]

6. What holds for markets in general also applies to financial markets. For them, as for all other markets, experience has shown that unfettered economic transactions are not necessarily the most efficient ones. Markets benefit from being supported by such public institutions (intermediate goods) as legal frameworks, independent judiciary systems, proper accounting standards and other norms and processes that help to enhance transparency, reduce risks and lower the transaction costs of market participants.[9] Yet, markets are not ends in and by themselves. They are a means, a mechanism for the provisioning of goods. Markets themselves are a good that should feed and help to foster a country's development. Hence, the structure and functioning of markets need to be assessed in terms of their contribution to society's larger goals. As regards financial markets, the key questions in this respect would be, for example, whether the right type of resources flow to where they could be used most productively. Achieving this objective will often not only require an institutional embedding of markets that helps to reduce transaction costs but further public-policy incentives to enable market actors better to combine private and social rates of return.

7. Obviously, to the extent that national borders are made porous by the various processes that we usually sum up with the term "globalization", it will often be desirable for national public policy makers to organize the institutional embedding of financial markets in consultation with other countries. For example, harmonizing national policies with international codes and standards could foster the attainment of national development goals by attracting more external capital to augment domestic resources. Such policy harmonization is one way in which the national public good "financial market" turns into a GPG.

8. Another way is that with increased openness, national financial markets can be affected by cross-border spillovers, negative and positive, emanating from the markets of other countries. As Ocampo (2001, p. 10) noted, under the current conditions the major industrial countries are the "business-cycle/policy makers" and the emerging and as-yet-to-emerge markets the "business-cycle/policy takers". In his words (ibid.), "the center economies generate externalities to the rest of the world that are not internalized by (their) policy makers. These externalities are strongly felt in the developing world, which must adjust to them but lacks the degree of freedom that the ability to supply international currencies provides."

9. As the financial crises of the late 1990s demonstrated, major financial markets can also be affected by, and become jittery as crises occur in developing countries — or put differently, when they permit their financial actors to engage in overly risky, excessive lending abroad. So, externalities move back and forth between different groups of countries, albeit affecting smaller markets typically more severely than larger ones. This demonstrates that making financial markets work in all countries is a shared interest of all. Yet, as we saw before, "making markets work" means making them serve national development purposes.

10. Accordingly, policy makers in all countries (notably those, who at present feel they belong to Ocampo's category of "policy takers") would have to clarify the following five questions in selecting their financial market development strategies: (1) What national development purposes are financial markets to serve; and what type of market institutions and complementary public-policy instruments and mechanisms would the attainment of these objectives require? (2) To what extent can the desired market development be attained through domestic policy action alone? Notably, what can be done in terms of self-protection, i.e., preparing the country to cope with external shocks? (3) What are the costs/benefits of policy convergence towards present international policy recommendations, codes and standards? (4) How can the current international policy and mechanisms be improved so as to make them better serve national goals? and (5) What international (regional and interregional) public policies would be

[7] For a detailed discussion on the theory of public goods, see, for example, Cornes and Sandler (1996).

[8] It is important not to confuse the institution of the market, the public good, with the competitiveness of many market transactions that the institution facilitates, nor with the privateness of the goods typically traded in markets.

[9] See on this point, for example, Lindblom (2001).

needed to do what even the most efficient international financial markets would never do (e.g., to channel financial resources to developing countries falling into the group of as-yet-to-emerge markets)?

11. It is based on the answers to these questions that ideally international cooperation in support of the joint provision of the GPG "financial stability and market efficiency" ought to proceed. Such needs assessments or tests would anchor international cooperation nationally, i.e. in national interests, and foster a bottom-up process of globalization.[10]

## II. Broad participation in international financial policy-making is not a favour but a must to avoid collective-action and information problems.

12. Of course, emphasizing national and local self-interest in international cooperation immediately raises the question of how to align the policy priorities of different actors and stakeholder groups: Do we have the right incentive structures and the right type of consultation and decision-making processes?

13. Public good provision, in general, tends to suffer from three sets of problems. The first set concerns the fact that public goods give rise to market failure, because of the non-excludability of their benefits. For example, why would any individual actor pay from her pocket for the creation of a judicial system when she can enjoy it once someone else creates it — for free? Moreover, the costs involved may be too high to be borne by just one actor alone. A second set of problems is known as collective-action problems. Again, the publicness of goods' benefits makes individual actors reluctant to step forward and to volunteer to pay for them, even if the payment in question is linked to a cooperative, shared effort.[11] And third, while at the national level the State often steps in to help to resolve such market failures and collective-action problems, it is itself not immune to failure. Mandates that Governments receive from their electorate do not necessarily translate into corresponding action, a problem known as "government failure".

14. However imperfect, at the national level we have processes in place for all actor and stakeholder groups to reveal their preferences and for Governments to assist them in overcoming obstacles to cooperation. This does not mean that public goods are necessarily State-provided. In today's multi-actor world, the State has, in large measure, been taken out of the direct production of public goods, and to varying degrees, sometimes only offers incentives to nudge private actors along desired policy lines. This also applies to the embedding of financial markets, although many of the required institutions — e.g., property rights, contract law, an independent judiciary — are still best provided by the State. Others, such as technical norms and standards, are increasingly provided, or at least, co-provided by private actors.[12] Yet internationally, there exists no equivalent of the institution of the state. Therefore, reaching consensus among all concerned parties on such issues as which type of policies to converge and which joint international facilities to create is key to an adequate provision of GPGs.

15. Over and above these already daunting challenges, international financial cooperation, however, has to overcome two further constraints. First, several international organizations address

[10] A similar argument is presented by Rodrik (2000), who argues that "economic development ultimately derives from a home-grown strategy, and not from the world market. Policy makers in developing countries should avoid fads, put globlization in perspective, and focus on domestic institution building" (p. 36).

[11] One major type of collective problem is this free-riding: trying to enjoy public goods for free. Another, closely related problem has been described as prisoner's dilemma: In this case, actors are uncertain about the cooperation strategy of their counterpart(s), and therefore, find that irrespective of what the other actor(s) might do, non-cooperation is the most rational choice – entailing no loss, but possibly, if someone else makes a contribution, a free gain.

[12] For example, mention can be made of the International Accounting Standards Commission (IASC).

financial issues[13] fragmenting the overall vision of, and the approach to, ensuring financial stability and market efficiency.[14] Second, as a growing number of studies have pointed out, the composition of the concerned policy-making bodies is biased towards participation of the major-market countries and financial-sector experts and policy makers. The participation and voice of developing countries as well as that of many stakeholder groups is often limited.[15]

16. It seems that the present pattern of consultation and decision-making has repeatedly led to decisions that place an undue burden of adjustment to the *current* financial system on developing countries. For example, while all parties agree on the importance of financial regulation and supervision, some question whether the codes and standards proposed "are suited to the circumstances of the countries to which they apply" (Eichengreen 2001, pp. 8-9) and "what incentives are there for countries to take ownership" (Eichengreen 2001, p. 12). The codes and standards themselves and the reporting on countries' compliance with them are getting increasingly complicated and costly. (See, for example, UNCTAD 2001, pp. 79-107). Quoting Soludo and Rao (1999) as well as Park and Wang (2001), and Eichengreen (2001, p. 12) points out that: "Collecting and processing data and strengthening regulatory and supervisory standards requires technicians and data processors, computer programmers and bank inspectors. However commendable this effort, these investments may come at the expense of programs supporting socially vulnerable groups and, risk eliciting a political backlash in cash-strapped economies." Also, while developing countries are being advised to achieve greater reliance on private finance for development, the New Basle Accord, if implemented as currently suggested, would have significant and broadly negative repercussions for developing countries.[16]

17. According to some analysts (e.g., Griffith-Jones and Cailloux 1999, Ocampo 2001, UNCTAD 2001), it is much rarer to find decisions calling for changes in the global system or in the behaviour of industrial-country actors, although some such steps have been taken.[17] Obviously, where participation of all concerned is lacking, there is a risk that linkages between national and international level initiatives become severed and that the link between finance and development weakens. By now financial policy makers are realizing this problem. A growing number of policy statements stress the importance of enhanced participation of developing countries in international financial decision-making as a means of devising more country-specific, appropriate and effective arrangements. [18]

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[13] The major ones include: the Bank for International Settlements (BIS), which also houses the Basel Committee on Banking Supervision, the Committee on Payment and Settlement Systems, and the Committee on the Global Financial System, as well as the International Association of Insurance Supervisors (IAIS) and the Financial Stability Forum (FSF); the International Monetary Fund (IMF); the International Organization of Securities Commissions (IOSCO); International Accounting and Standards Commission (IASC); plus the World Bank and the regional development Banks; the United Nations Conference on Trade and Development (UNCTAD); the Organisation for Economic Cooperation and Development (OECD); and last but not least, the Gs: G-7/8, G-10, G-20 and G-24.

[14] As Wyplosz (1999, p. 166) noted: "Problems are dealt with ad hoc by groups of concerned countries or professional associations (IOSCO, IASC). Existing institutions (IMF, World Bank, BIS, OECD) spread their domain of intervention, sometimes overlapping with each other, sometimes leaving cracks in between."

[15] For discussion on this issue, see for example: Buria (2001), Culpeper (2000), Helleiner (2001), IMF (2000), Ocampo (2001) and UNCTAD (2001).

[16] In an interview with Griffith-Jones on her study with Spratt (2001), Reuter's David Chance notes that at present, banks are required to set aside nothing against loans to an AA-rated sovereign and just $8 for every $100 of loans to a single-B rated non-OECD country like Argentina. He then quotes Griffith-Jones as saying that "under proposals [as those contained in the New Basle Accord] allowing banks to use an internal system, capital provisioning of 60 cents would be required for $100 for loans to an AA-rated sovereign. But for the likes of Argentina, $50.40 in capital would be required for every $100 of loans." For data supporting this statement, see, among others, Griffith-Jones and Spratt (2001) and Reisen (2001). Further, see also the interview with Willy Zapata, the former president of Guatemala's central bank in the *Financial Times*, 9 June 2001, p. 8 and G-24 (2001).

[17] See on this issue, for example, the report of the FSF Working Group on Highly-leveraged Institutions, which, among other things, calls for enhanced disclosure procedures for these institutions (www.fsforum.org). So far, however, there has been only limited follow-up to the recommended actions.

[18] See, for example, Crockett (2001), Koehler (2001), United Kingdom (2000), chap. 4, and United Kingdom (2001).

18. Clearly, broader participation in financial policy-making should not be seen as a favour. Rather, it is a necessity — a precondition of achieving a balanced global policy regime, one that enjoys the support of all, and therefore, is also likely to be the more effective and efficient one in the longer run. Pragmatic and practical recommendations have been tabled on how participation in financial policy-making could be broadened (e.g., Griffith-Jones 2001; Scholte and Schnabel 2001). But, enhanced participation in international negotiations takes time, effort and money. So, are we caught in a vicious circle?

19. As is discussed in point IV, recognizing the GPG nature of financial stability and market efficiency also helps us to see a feasible way out of this dilemma. Yet, before pursuing this issue further, we will take a closer look at the "production function" of financial stability and market efficiency.

## III. The GPG "financial stability and market efficiency" will emerge only if *all* building blocks are in place — national, regional and international-level measures, public and private contributions.

20. A striking feature of today's policy debates on global financial issues is often that various contributors tend to highlight selected aspects, or even, juxtapose national and international measures, industrial and developing country concerns, or private and public inputs. Yet, thinking through what could be called the "production function" of the GPG at hand reveals that all dimensions matter. The key challenge is to bring them together. As we saw in point II, collective-action problems and differences in interest sometimes impede progress in this respect. Another obstacle can be lingering doubts and uncertainties about the best possible course of action: What are the most economically desirable and the most technically and politically feasible ways of producing the good?

21. Similar problems have, of course, plagued other areas of international cooperation, including, for example, the environmental field. Policy makers in this field have effectively mobilized the global epistemic community, in the form of the Intergovernmental Panel on Climate Change, to help to reduce uncertainty. A similar initiative could perhaps be taken in the financial area, possibly as a follow-up to the forthcoming Financing Conference.

## IV. Capacity-building in developing countries is critical to achieving the objective of financial stability and market efficiency. The seigniorage earned by the central banks of industrial countries could be an appropriate funding source.

22. Capacity-building is important in order to root the design of the international financial architecture in national development concerns, to foster broad participation in international financial policy-making, and through enhanced participation, to achieve a fairer sharing of the net-benefits of international cooperation.

23. If we assume that less segmented markets are more efficient markets and that the goal is development for all, we can look at financial markets and their supportive public-policy institutions as a global network. The overall quality of the network will depend on that of its weakest links as well as on its size, i.e., how global it is. Creating a well-functioning network of financial markets that indeed serves development thus requires bringing in and strengthening the emerging and as-yet-to-emerge markets. Put differently, it requires development assistance, notably technical assistance, to these markets.

24. The importance of such assistance is increasingly being emphasized. A number of aid agencies, bilateral and multilateral, are developing assistance programmes.[19] The existing needs are enormous. And similar capacity-building challenges, of course, exist in respect of other international regimes, including that for trade or global environmental concerns. But then, remember Eichengreen's question above of how to prioritize between meeting the urgent needs of poverty reduction now and investing in the longer-term development of the global financial system.

25. Looking at this challenge through the GPG lens suggests that building a global financial system is in the interest of *all* developing and industrial countries. The higher the rate of industrial-country actors'

[19] See, for example: IMF (2001), Swedish International Development Agency (2001); World Bank (http://www.worldbank.org/whatwedo/services.htm); and United Kingdom (2000). Gordon Brown, the UK Chancellor of the Exchequer, furthermore announced a forthcoming "multi-million pound facility for technical assistance to enable developing countries to meet these international standards" (United Kingdom, 2001).

investments abroad, the more this holds true. Hence, it would be justified and reasonable to finance the strengthening of the global financial system not out of aid resources, i.e., official development assistance (ODA) funds, but instead to augment such funds with additional contributions, especially from the central banks of the richer industrial countries. Financial instability risks reducing the value (purchasing power) of any country's money. Hence, each country's monetary authority should have an interest in removing existing factors of potential instability. It could opt to finance its contribution to the endeavour (this at least in the case of money-issuing countries/country groupings) from seigniorage it earns. The rationale would be that the *full* cost of creating sound money is higher than conventionally thought, viz. higher by the amount required for capacity-building, and possibly, other international cooperation efforts.

26. In fact, bilateral precedents do exist. For example, the United States Department of Treasury runs a technical assistance programme to assist transition economies and developing countries in financial market development.[20] And an interesting multilateral example of a network with self-improvement arrangements is the Quality of Service Fund for postal-service networks established by the Universal Postal Union.[21] The rationale for assistance in this case is not — or not merely — one of aid, i.e., charity or moral concern about poverty. Rather, it is one of unleashing positive network externalities: investing in making the network more useful for all, with a positive net benefit for all members, even those who foot the bill for the investment in network improvement.[22]

27. Of course, the financing requirements for capacity-building constitutes only a fraction of the total amount of the resources needed to produce the GPG "financial stability and market efficiency". Other requirements could relate to improving the availability of official liquidity in distress conditions (e.g., through appropriate modifications of the IMF Contingency Credit Line), or to enhancing the availability of official development finance, in particular for poorer countries as yet unable to attract sufficient private flows. It would be important for each building block to identify the most appropriate funding source and modality.

## Conclusion

28. This paper has explored some of the additional policy insights to be gained when examining the issue of financial stability and market efficiency through the GPG lens. The main argument has been that the GPG lens helps to change the concerned actors' incentive structure and motivation to act. It also reminds us that the adequate provision of good "financial and market efficiency" requires international cooperation. Under-provision will make everyone worse off; and hence, it is in the interest of all to find effective ways of cooperating.

29. The paper suggest four concrete ways of achieving more successful cooperation in the finance area: (1) to root the design of international cooperation in national policy goals and conditions and to look at GPGs as public goods that now require international cooperation but still ought to have positive utility for all nationally; (2) to encourage broader participation in international financial policy-making as a means to reduce collective-action and information as well as burden-sharing problems; (3) to engage more actively the epistemic community in exploring possible production paths of the GPG "financial stability and market efficiency", notably the complementarities

[20] See United States of America (2001), the Department of Treasury, Office of Technical Assistance.

[21] The Fund comes into effect in July 2001. It is part of a new terminal due system (system of compensatory payments between postal administrations), where developed countries' terminal dues are increased by 7.5 per cent to generate funds for the Quality of Service Fund. The money will be paid out to developing countries in the form of specific quality-of-service improvement projects. The Fund is estimated to generate some US$ 20 million annually (Universal Postal Union 2001).

[22] Such a network approach to, and rationale for, operational development cooperation will, together with other possible modalities of financing GPGs, be discussed in a forthcoming UNDP-supported publication, entitled "Providing Global Public Goods; Making Globalization Work for All". For further information see, http://www.undp.org/globalpublicgoods.

between national, regional and international-level measures; and (4) to finance needed capacity-building in developing countries out of the seigniorage earned by the central banks of industrial countries — as an integral part of their efforts to provide sound money.

30. Past progress in terms of democracy, transparency and accountability have strengthened people's — *the public's* — development expectations worldwide, including their expectation that public goods, which are public in consumption and often affect all, should have more evenly distributed utility for all, not benefits for some and costs for others. Therefore, it is not only useful to look at financial stability and market efficiency through the GPG lens; it may even be mandatory in order, as the Secretary-General emphasized, to lessen the backlash against globalization, and help make the process work for all people.[23] The forthcoming Financing Conference provides the international community with an opportunity to meet this challenge.

[23] For the report of the Secretary-General to the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development, see A/AC.257/12.

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United Nations A/56/174

General Assembly

Distr.: General
11 July 2001

Original: English

**Fifty-sixth session**
Items 112 and 125 of the preliminary list*

**Operational activities for development**

**Advancement of women**

# Activities of the United Nations Development Fund for Women

## Note by the Secretary-General**

The Secretary-General has the honour to transmit to the General Assembly the report on the activities of the United Nations Development Fund for Women, prepared pursuant to Assembly resolution 39/125 of 14 December 1984.

* A/56/50.
** The submission of this document was delayed owing to the need to obtain clearances.

01-45264 (E) 080801

# Report of the United Nations Development Fund for Women on its activities in 2000

1. The present report provides a review and update on the programme and activities of the United Nations Development Fund for Women (UNIFEM) for the year 2000. UNIFEM and its partners had a unique opportunity to review progress towards gender equality through involvement in the twenty-third special session of the General Assembly (New York, June 2000) held to assess progress made since the Fourth World Conference on Women (Beijing, 1995). UNIFEM produced *Progress of the World's Women 2000*, a new biennial report to support the review process.

2. In November 2000, during the fifty-fifth session of the General Assembly, the President of the Assembly appointed a new Consultative Committee for UNIFEM, with Jamaica as the new Chair. Other members of the Committee include Croatia (representing the region of Central and Eastern Europe/ Commonwealth of Independent States (CEE/CIS)); Namibia (representing Africa); Kazakhstan (representing the Asia/Pacific region) and the Netherlands (representing Europe).

3. In 2000, UNIFEM's work on peace produced momentum in the context of its work to introduce the issue of women and peace and security onto the agenda of the Security Council. The Fund was active in providing support to the Government of Namibia during its presidency of the Council in preparing an open debate on the issue, preceded by a non-governmental organization briefing under the Arria Formula, which culminated in the adoption of Security Council resolution 1325 (2000), on women and peace and security. The UNIFEM Consultative Committee noted that UNIFEM's contribution to the open debate exemplified its potential to link its operational experience to the normative arena and provide substantive guidance to policy formulation. Noting General Assembly resolution 54/136 in which the Assembly calls upon the Fund to strengthen its work, the Committee encouraged UNIFEM to contribute actively to the follow-up implementation of Security Council resolution 1325 (2000).

4. In October 2000 pursuant to the recommendation of the UNIFEM Consultative Committee and with the endorsement of the United Nations Development Programme/United Nations Population Fund Executive Board, in decision 2000/7, UNIFEM and UNDP signed an agreement allowing UNIFEM to execute projects or programmes in its areas of comparative advantage on UNDP's behalf. The agreement opens up new modalities for cooperation and supports the continuing efforts to strengthen the synergy and further clarify the relationship between the two organizations. It builds upon experiences that UNIFEM has had in executing projects for other United Nations agencies, including UNFPA. In light of the new agreement and of significant changes that have taken place in UNIFEM over the past five years, including the doubling of its resource base, the shift to results-based management, and the adoption by the General Assembly of resolutions calling upon the Fund to strengthen its work in priority areas, in 2000 UNIFEM conducted a review of its structures and systems so as to ensure that they will continue to deliver programme of high quality. In 2001 UNIFEM will be working to implement the outcome of the review with a view towards further streamlining and increasing the effectiveness of its operational units.

## I. Programme

### A. Overview

5. UNIFEM continues to be guided by its 1984 mandate (General Assembly resolution 39/125):

(a) To support innovative and experimental activities benefiting women, in line with national and regional priorities;

(b) To serve as a catalyst, with the goal of ensuring the appropriate involvement of women in mainstream development activities;

(c) To play an innovative and catalytic role in relation to the United Nations system of development cooperation.

6. In line with paragraph 335 of the Beijing Platform for Action, UNIFEM programmes focus on women's economic and political empowerment and on advocacy for gender equality and women's empowerment through multilateral policy dialogue. UNIFEM is engaged in providing strategic and focused response to the follow-up and implementation of the Beijing Platform for Action through technical support

at the national level through the resident coordinator system.

7. Throughout 2000, UNIFEM was actively involved in global, national and regional preparations for the twenty-third General Assembly special session, entitled "Women 2000: Gender Equality, Development and Peace for the Twenty-first Century" (Beijing+5). The outcome document from the session is being used as a guide in new and emerging areas of concern, including gender-based violence, the spread of HIV/AIDS, economic globalization and new information/communication technologies for UNIFEM's current and future programming work.

8. UNIFEM's programme is designed and guided by an empowerment framework, based on promoting women's rights, opportunities and capacities. Within the framework UNIFEM focuses on three areas of immediate concern: strengthening women's economic capacity as entrepreneurs and producers, especially in the context of the new trade agenda and the emergence of new technologies; engendering governance and leadership that increase women's participation in the decision-making processes that shape their lives; promoting women's human rights to eliminate all forms of violence against women and transform development into a more peaceful, equitable and sustainable process.

9. UNIFEM is implementing the empowerment framework through five core strategies that build on the Fund's comparative advantages: building the capacity and leadership of women's organizations and networks; leveraging political and financial support for women from a range of stakeholders in the development process; forging new synergies and effective partnerships between women's organizations, Governments, the United Nations system and the private sector; undertaking pilot and demonstration projects to test innovative approaches to women's empowerment; and building an operational knowledge base to influence mainstreaming.

10. UNIFEM is a learning and advocacy organization fostering networks and linkages that contribute to women's empowerment, policy reform and gender-sensitive development. UNIFEM is dedicated to building stronger women's organizations and networks so that women themselves have the power to negotiate new and better policies with their Governments and international agencies.

## B. Strengthening women's economic security and rights

11. Trade liberalization and rapid advances in information and communication technologies are swiftly changing the rules of the international marketplace. Women in developed and developing nations are experiencing new economic opportunities and challenges, caused in part by foreign competition, national debt, the exportation of jobs, and the erosion of workers' rights. In this complex environment, UNIFEM has been working to engage more women in the globalization process by supporting innovative programmes that highlight the risks, rights and opportunities inherent in global and regional business arenas.

12. UNIFEM's efforts to support women's economic security and rights in the year 2000 focused on the key areas discussed below.

### 1. Strengthening women's bargaining power to achieve sustainable livelihoods

13. Building women's capacity to access and shape markets is a key component of UNIFEM's economic empowerment work. UNIFEM support provides women with opportunities to hone technical and marketing skills, strengthen negotiation and bargaining tactics, foster their access to and influence over new technologies, build networks and business associations, and identify new market options. Experiences gained through pilot initiatives are used to inform policy and practice of larger agencies and mainstream institutions.

14. Realizing that knowledge of market changes is critical to women's ability to take advantage of new opportunities, UNIFEM supports market analyses that map opportunities in diverse subsectors. UNIFEM-supported situational analyses have been completed for the tourism industry in Jordan, hand-loomed textile businesses in the Lao People's Democratic Republic, the production of masi in Fiji, and the gum karaya industry in India. The findings will serve as a first step in identifying products and services women can produce to ensure a strong position in the marketplace. In Burkina Faso, rural women cultivating and processing the valuable emollient shea butter are also making direct and competitive links to global markets. During the past two years, UNIFEM's partnership with the French skin-care company L'Occitane has enabled

hundreds of women to double their earnings while improving their sales, negotiations and technical skills.

15. Information communication technologies (ICTs) are rapidly becoming an essential vehicle for reaching markets, and UNIFEM is expanding its support to increase women's access to these new business tools. In Ecuador, Albania, Romania, Nepal and the Philippines, a joint project between UNIFEM and the Italian-based Development Network and Technology and Information Promotion System (DEVNET/TIPS) initiative helped small and medium-sized businesses owned by women to improve their information technology skills for e-commerce. Six hundred and fifty women and 60 women's associations benefited from training, which is currently slated for replication and expansion to Zimbabwe and China.

16. UNIFEM supports ongoing efforts to create sound management and business development tools for non-governmental organizations. UNIFEM's involvement in restructuring the Nicaraguan organization Cenzontle led to the approval of a new organizational strategic plan extending through 2004. The plan calls for the creation of the Foundation for the Development of Women (FODEM), an autonomous financial institution that is the outgrowth of prior credit programmes. UNIFEM support has increased Cenzontle's institutional and networking capacity, and strengthened women-owned small businesses demonstrating strong economic growth and potential for longer term sustainability.

### 2. Promoting legal and regulatory reform to enable women's equal ownership and access to economic resources and assets

17. Through its pilot projects, the generation of sex-disaggregated data, and ongoing scanning of the environment, UNIFEM identifies the kinds of laws, policies and regulations that promote or impede women's abilities and rights to secure sustainable livelihoods. In 2000, this included opportunities to make a strong connection between policy-making at the intergovernmental level and key issues for women in countries worldwide.

18. In March 2000, the Commission on Human Rights adopted a resolution on women's equal ownership of, access to and control over land and the equal right to own property and acquire housing. Introduced by the Committee on Housing Rights and Evictions — a UNIFEM grantee — the resolution was a milestone in recognizing the gender dimensions of economic, social and cultural rights, drawing connections between women's rights to own land and property and their rights to housing and inheritance.

19. UNIFEM has worked in close cooperation with the Economic and Social Commission for Asia and the Pacific (ESCAP), devoting considerable effort to institutionalizing gender statistics in the Asia/Pacific countries. Sex-disaggregated data are now routinely published in booklet form by the national statistics offices in India, Indonesia and the Philippines. Now in their third reprinting, the statistics booklets are widely used by policy analysts, policy makers and development programmers and researchers.

20. The Economic and Social Commission for Western Asia (ESCWA) Gender Statistics Project was developed to strengthen national capacities in the production and use of gender statistics and to develop a larger volume of gender-sensitive projects. One outcome in 2000 was the publication of a series of statistical reports, *Man/Woman: A Statistical Portrait*, which highlighted gender gaps in human development indicators. The reports were distributed throughout 13 Arab countries. The project helped to sensitize statisticians to gender needs and the value of sex-disaggregated data, survey design and censuses.

### 3. Engendering macroeconomic frameworks and building the capacity of countries to manage globalization and economic transitions from the perspective of poor women

21. UNIFEM devotes special attention to analysing trade regimes, and identifying successful strategies for engendering trade agreements that can expand women's economic opportunities. In 2000, UNIFEM's advocacy efforts helped establish gender advisory structures and brought representatives from women's groups into trade negotiations.

22. As part of its activities to bring women into debates on trade and finance, UNIFEM and the Caribbean Association for Feminist Research and Action (CAFRA) produced information kits last year for governmental officials and regional negotiating parties about the impact of trade agreements on women. In the Asia/Pacific region, UNIFEM continued its participation in and support for the annual meetings of the Women Leaders' Network (WLN) of the Asia

Pacific Economic Cooperation group (APEC). One result of the work of the WLN meetings over recent years was the endorsement by the 1999 APEC Leaders' Meeting in New Zealand of a framework for integration of women in APEC. The framework was developed by an APEC working group and launched in 2000 to facilitate gender mainstreaming into all APEC forums and programmes.

23. Regional economic institutions have been a key focus of UNIFEM's efforts and support for engendering macroeconomic frameworks. A Women's Desk, established in the Inter-Governmental Authority on Development (IGAD) and supported by UNIFEM, has begun the process of mainstreaming gender into IGAD's policy and planning processes. At the Eighth Heads of State Summit (Sudan, November 2000), a resolution on mainstreaming gender into all IGAD policies and programmes was included in the official Khartoum Declaration.

24. In Latin America's Southern Cone, UNIFEM's work within the framework of the South American Common Market (MERCOSUR) Trade Treaty continued to yield positive results. A consultative process has fortified relationships between various national women's machineries, experts, and local authorities, among others, and enabled women workers' issues to be included in the MERCOSUR Social Charter.

## C. Governance, peace and security

25. UNIFEM's support for women's leadership in governance in 2000 focused on three key areas: peace and security, by providing assistance to women in conflict situations and supporting their participation in peace processes; gender justice, by strengthening the gender focus in electoral, constitutional, legal and judicial processes; and economic governance, by bringing a gender analysis to economic policies and by linking them to the distribution, use and generation of public resources.

### 1. Providing assistance to women in conflict situations and supporting their participation in peace processes

26. UNIFEM's support for peace-building is a central aspect of its governance work, and peace and security initiatives were given high priority in 2000. UNIFEM supported women's participation in peace and reconstruction processes in Burundi and Somalia, brought gender perspectives to protection and assistance for refugees and internally displaced persons, and supported gender justice initiatives in post-conflict peace-building in East Timor. UNIFEM is using its operational experience in conflict and post-conflict countries to inform policy-making in regional and global arenas, including the Security Council.

27. Working on the peace front in Somalia since 1993, UNIFEM celebrated a major victory with Somali women in 2000 who won the right to negotiate with warlords and other political parties and acquired 27 seats in parliament. The restored Government developed a women's agenda which includes women's representation as full and equal partners in the government.

28. Through a joint Palestinian/Israeli project sponsored by the Dutch Ministry of Foreign Affairs, UNIFEM's Executive Director led an international delegation to Jerusalem in June 2000. Facilitating dialogue between Palestinian and Israeli women engaged in efforts to engender the Middle East peace process, the mission resulted in the adoption of a women's peace agenda, accepted by both sides.

29. Facilitating dialogue and the exchange of experiences across regions is a key strategy in peace-building. In 2000, UNIFEM brought women's experience in influencing reconstruction in Guatemala and Uganda to peace negotiations in Burundi.

30. In Burundi, women's participation in the peace process was enhanced when the Mwalimu Nyerere Foundation, under whose auspices the peace talks took place, invited UNIFEM to brief the negotiating parties and facilitation team on gender issues relating to the peace accord. With support from the Department of Political Affairs, the Department of Public Information, and the Department of Peacekeeping Operations of the United Nations Secretariat, UNIFEM convened the first All Party Burundi Women's Peace Conference, with more than 50 Burundian women presenting a common vision for peace and reconciliation. In an historic move, 23 of the Burundi women's recommendations made to the facilitator of the peace process, former South African President Nelson Mandela, were included in the final peace accord, making it one of the strongest in recognizing the centrality of women's rights and opportunities to

democracy, governance, peace security, and reconstruction.

### 2. Strengthening the gender focus in electoral, constitutional, legal and judicial processes

31. Using the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) as a guiding source of operative principles, UNIFEM seeks to strengthen the gender focus in electoral, constitutional, legal and judicial frameworks, while supporting women's capacity at the national level for their implementation.

32. Engaging women in the political process, both as candidates and voters, continues to be a high priority for UNIFEM programmes worldwide. Last year UNIFEM support to women's participation in the electoral system included candidates for public office in Fiji, the former Yugoslavia, Macedonia, Kosovo, Ecuador, the Pacific region and Brazil. UNIFEM-supported training in India, Mexico, Argentina, Brazil, Peru and Guatemala was successful in sensitizing members of various judicial and law enforcement agencies to gender issues. Concentrated efforts in those countries led to the development of gender-sensitive legislation, including positive action and equality bills.

33. Working to strengthen the capacity of the East Timor Women's Network (ETWN), UNIFEM is supporting women's leadership in peace-building and gender justice, focusing on efforts to increase women's participation in elections scheduled for August 2001 and early 2002.

### 3. Supporting leadership development for women parliamentarians and women's organizations

34. Throughout 2000 UNIFEM sought to strengthen linkages between women's machinery, women parliamentarians, and women's civil society organizations. Through training, regional exchanges, and support for constituency-building, synergy has been created across those three sectors on issues ranging from national development plans to decentralization. In Chile, Argentina, Brazil, Mexico, Rwanda, and eastern and southern Africa, UNIFEM supported capacity-building and awareness-raising programmes for public servants, including parliamentarians, police and judiciary. UNIFEM also lent support to build the capacity of women's machinery in Mexico, Gaza, Lebanon, Lao People's Democratic Republic, Nicaragua, Eritrea, Angola, and Mozambique.

35. The Women Parliamentarians Conference, held last year in Bangkok, with UNIFEM support, brought together 65 women parliamentarians from the South Asian and South-East Asian regions. Discussing globalization and armed conflict within a conceptual framework of women's transformative leadership and good governance, the Conference generated a list of critical actions to promote women's leadership and catalysed the creation of a formal network of women parliamentarians from countries of the Association of South-East Asian Nations (ASEAN).

36. Leveraging collaboration from UNICEF and UNFPA, UNIFEM supported initiatives to make census exercises in South Asia more gender-sensitive and user-friendly. In India and Nepal, UNIFEM promoted media workshops and trainings to sensitize personnel collecting data for the 2001 census. The projects drew the national accounting system's attention to women's work and special needs, allowing women to be more fairly represented in development planning and resource allocation.

### 4. Supporting applied gender analysis of government budgets to increase accountability

37. Economic governance gained greater prominence within UNIFEM's governance portfolio last year. Gender budget initiatives currently under way in southern Africa, India, Chile, the Andean region, Nicaragua, Mexico, Fiji, and Brazil are bringing together diverse constituencies to examine how Governments allocate resources for women. Building on lessons learned from pilot initiatives on gender budgeting in southern Africa, UNIFEM is expanding its technical assistance to countries interested in using gender analysis of national budgets as a tool to strengthen the commitments that Governments made to women through CEDAW and recent United Nations world conferences. With the Commonwealth Secretariat and the International Development Research Centre as key partners — and with seed financial support from Belgium and Italy, and the collaboration of the Organisation for Economic Cooperation and Development (OECD) and the Nordic Council of Ministries — UNIFEM is launching a global initiative to build capacity in gender budgeting worldwide.

## D. Promoting women's human rights and eliminating violence against women

38. UNIFEM supports women's need to understand and advocate for their human rights through innovative initiatives and programmes in the following four areas: eliminating violence against women and girls by investing in prevention, protection and advocacy strategies; strengthening the effective implementation and use of CEDAW; enhancing an understanding on the part of Governments, advocates and United Nations partners of the intersection between human rights, gender and HIV/AIDS, so as to strengthen responses to the pandemic; and promoting the integration of gender perspectives into mainstream human rights machinery and organizations.

### 1. Eliminating violence against women and girls by investing in prevention, protection and advocacy strategies

39. UNIFEM works to eliminate violence against women by supporting local, national, regional and global awareness-raising, capacity-building, documentation, and advocacy strategies. In 2000, UNIFEM's Trust Fund in Support of Actions to Eliminate Violence Against Women — the only United Nations global grant-making mechanism of its kind — continued to serve as a centre of learning and support for initiatives aimed at ending gender-based violence. In 2000, demand for increased support reached an all time high: requests totalled more than $12 million.

40. Since it began in 1997, the Trust Fund has granted more than $4 million to 105 projects in 65 countries. Seventeen new Trust Fund projects were funded last year, on a variety of issues, including educating the public and sensitizing law enforcement agents about domestic violence laws in the United Republic of Tanzania, addressing the problem of so called "honour" killings in Jordan, building local capacity to protect women from trafficking and domestic violence in Moldova, and training human rights lawyers on domestic violence issues in Peru.

41. In addition to building Trust Fund support, UNIFEM strengthened its partnerships to stimulate and strengthen implementation of policy and legal reform. Last year, a joint collaboration between UNIFEM and the Indonesian Government resulted in a national plan of action to eliminate violence against women.

42. Transforming government policy and societal behavioural changes regarding violence against women depends upon broad-based public awareness. UNIFEM's support for media campaigns, multi-media projects, publications, and national conferences is stimulating shifts in public attitudes and effecting lasting change. In response to sustained media coverage generated by non-governmental organizations and UNIFEM, the country's first domestic violence bill was introduced in Kenyan Parliament. Efforts in South Asia led to an unprecedented regional commitment to address the trafficking of women by raising the issue at a regional ministerial meeting held in September 2000. In the Andean region, campaigns to end violence against women focused on training indigenous and farming women and sensitizing lawyers and justice administrators to the ramifications of violence, including legal violations of women's human rights. The campaigns helped initiate and strengthen laws to protect women in the Andean region, and in Bolivia and Venezuela the campaigns helped to promote legislation for laws to address gender-based violence.

### 2. Strengthening the effective implementation and use of CEDAW

43. UNIFEM's emphasis on rights-based programming has intensified its work with Governments, the judiciary, members of the media, and women's groups. In addition to enhancing implementation of the Convention at the national level, UNIFEM is mainstreaming CEDAW into its other programming areas, such as gender budgets and HIV/AIDS.

44. UNIFEM's support to build the capacity of non-governmental organizations and government to use CEDAW as the basis for bringing about equality bore fruit in 2000. In Mexico, a national workshop for legislators led to changes in the civil code and the signing of the Optional Protocol to CEDAW. Governmental representatives who attended a CEDAW workshop in Malawi committed themselves to review national laws. Creating unprecedented dialogues in India, Moldova, Uzbekistan and Kazakhstan, UNIFEM brought governmental representatives together with women's rights advocates and members of the CEDAW Committee as a way of accelerating implementation plans and monitoring the convention.

45. UNIFEM and the International Women's Rights Action Watch Asia/Pacific convened their fourth

annual CEDAW training workshop in January 2000. The workshop provided training to women advocates whose countries were reporting to the CEDAW Committee during the January and June sessions in 2000. To date, more than 70 women's human rights advocates from more than 32 countries have participated in this training/monitoring workshop to strengthen their understanding of the Convention, the CEDAW Committee's process, and the potential application of CEDAW to their national-level advocacy efforts. In 2000, UNIFEM organized a workshop in southern Sudan on women's human rights, and the Convention was translated into Somali. Participants have used such training as an opportunity to inform the Committee about the status and concerns of women in their countries.

### 3. Enhancing the understanding of Governments, advocates and United Nations partners of the intersection between human rights, gender and HIV/AIDS

46. Guided by a human rights approach, UNIFEM is supporting diverse strategies to make women's interests and contributions central to HIV/AIDS programmes and strategies. UNIFEM is piloting innovative community-based initiatives, providing policy advice at the national level, and supporting advocacy for women in global policy-making related to HIV/AIDS.

47. Because HIV/AIDS is an issue of women's empowerment and rights, UNIFEM continues to expand its efforts to leverage greater support for women by creating new partnerships between Governments, civil society, women's groups and the private sector. In so doing, its partnerships with UNAIDS, UNFPA and other United Nations agencies have been strengthened. UNIFEM's pilot projects in six countries — Gender-focused responses to the challenges of the HIV and AIDS epidemic — were expanded in 2000 to reach four additional countries (China, Kenya, Nigeria and Swaziland), with partial funding from the John D. and Catherine T. MacArthur Foundation and from UNAIDS.

48. UNIFEM helps women's organizations and non-governmental organizations working on HIV/AIDS to expand their advocacy work to include the gender dimensions of the epidemic. In addition, because addressing policy is extremely important for sustainability at the local level, UNIFEM advises policy makers on engendering their strategies and plans and identifying mechanisms for implementing CEDAW. In Harare, UNIFEM convened non-governmental organizations and governmental and United Nations agencies to analyse each article of CEDAW for use in reporting cases of discrimination against HIV-positive women. Facilitated by the CEDAW member from the United Republic of Tanzania, the results will be used in expanding the CEDAW Committee's commitment to addressing HIV/AIDS.

49. Women's non-governmental organizations, national AIDS councils, the media and United Nations agencies all need to understand the gender and human rights dimensions of the epidemic. In response, UNIFEM developed training materials and approaches, such as its *Gender, Human Rights and HIV/AIDS* manual. Produced in French, Spanish and English, the manual has been adapted for use in a course at a university in Mexico.

### 4. Promoting gender in mainstream human rights machinery and organizations

50. In preparation for the World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance, UNIFEM, at the request of the United Nations High Commissioner for Human Rights, produced a background paper highlighting critical issues of concern for women. In Chile, the Government relied on the report to shape its national position as host Government to the upcoming preparatory Latin American regional meeting. The report served as background to an expert group meeting convened in Croatia by the Division for the Advancement of Women, the Office of the United Nations High Commissioner for Human Rights, and UNIFEM, and also to the preparations for the session of the Commission on the Status of Women in March 2001.

## II. Supporting stronger action on gender in the United Nations system

51. New agreements, stronger coordination mechanisms, increased field staff, and concrete results marked UNIFEM's efforts to be a catalyst and innovator on gender equality within the United Nations system in 2000. The emphasis placed in the system on

greater inter-agency coordination has supported increased attention to gender and a greater willingness to collaborate with UNIFEM.

52. Preparations for the twenty-third special session of the General Assembly, (Beijing+5) provided a unique opportunity for United Nations agencies to work collaboratively on gender issues. UNIFEM participated actively in many of the joint agency events and projects.

## A. New agreements

53. Developing memoranda of understanding and other concrete agreements with sister agencies is one way of facilitating stronger collaboration on gender. In April 2000, the UNDP/UNFPA Executive Board approved an agreement by which UNIFEM can execute UNDP projects that can benefit from UNIFEM's specific areas of knowledge and expertise. Concrete requests from UNDP to UNIFEM to execute projects have already emerged in Somalia, India and three other countries.

54. In 2000, UNIFEM also developed a memorandum of understanding with the International Telecommunications Union (ITU) and UNDP to strengthen the efforts of these agencies to bridge the gender digital divide. The organizations collaborated on panel presentations on gender and ICTs at Beijing+5 and are exploring joint field-based activities in South-East Asia.

55. UNFPA is a partner with UNIFEM in numerous initiatives at the country level and globally. UNFPA's collaboration on *Progress of the World's Women 2000* and on UNIFEM's global pilot projects on gender and HIV/AIDS has been essential.

## B. Mainstreaming gender in United Nations coordination mechanisms

56. Almost four years have passed since the Secretary-General called for greater field-level coordination among United Nations agencies and introduced new mechanisms to enhance it. Primary among them are common country assessments (CCAs) and the United Nations development assistance frameworks (UNDAF), which together create a knowledge base and planning framework for United Nations-system initiatives at the national level. UNIFEM is providing gender expertise to assist with developing and assessing these coordination mechanisms and is using its catalytic mandate in the United Nations country team to advocate for and support achieving concrete results towards gender equality and women's rights.

57. In 2000, the United Nations launched a training initiative to support United Nations country teams in developing CCAs and UNDAFs. In order to increase its gender-responsiveness, three UNIFEM gender advisers — from Guatemala, Morocco and Rwanda — were trained as facilitators and are providing their services for up to four weeks per year in workshops in different regions. UNIFEM advocated for the inclusion of this dimension and was able to provide input into the revisions of the training programme.

58. While field-level activity is crucial, it is also important to intervene in CCAs and UNDAFs at the global level. UNIFEM chairs a task force on gender mainstreaming in the CCA/UNDAF process for the Inter-Agency Meeting on Women and Gender Equality, with UNFPA, UNICEF, the Department for the Advancement of Women, the Office of the Special Adviser on Gender Issues, the Office of the United Nations Development Group, and UNDP. During 2000 as well, UNIFEM completed its work as chair of the Inter-Agency Meeting Task Force on Good Practices in Implementing the Beijing Platform for Action and — with UNICEF, UNFPA, UNDP and HABITAT — launched an electronic database of good practices with examples from nearly 25 United Nations agencies.

## C. Expanding access to gender expertise at the field level

59. In 2000, UNIFEM expanded and strengthened its field network. With the addition of regional programme directors in Nigeria and Romania, UNIFEM has 13 subregional offices. It continues to support, with UNDP and United Nations Volunteers (UNV), gender specialists in 13 countries. UNIFEM is backstopping gender population and development advisers as part of UNFPA's country support teams in six countries. UNIFEM's gender advisers to the resident coordinator system in five countries are proving to be key in making the CCA and UNDAF processes more inclusive of gender concerns.

### D. Beijing+5

60. The five-year assessment of the impact of the Fourth World Conference On Women, was a week-long special session of the General Assembly entitled, "Women 2000: Gender Equality, Development and Peace for the 21st Century", or, informally, "Beijing+5".

61. UNIFEM supported broad-based global participation by women's organizations in the session. In Africa, UNIFEM assisted Governments in Malawi, Zimbabwe, Namibia, Nigeria, Ghana, Liberia and Sierra Leone to produce national reports and studies. In Zimbabwe and Ghana it helped fund non-governmental organizations to research and craft alternative reports and information sources.

62. In Central and Eastern Europe and the Commonwealth of Independent States (CEE/CIS), UNIFEM supported partnerships between Governments and non-governmental organizations and young women's involvement in the organizing process. Declarations drafted by CEE/CIS participants at UNIFEM-sponsored preparatory workshops were incorporated into the final document at the regional preparatory meeting of the Economic Commission for Europe (ECE) (January, 2000).

63. UNIFEM collaborated closely with Governments and non-governmental organizations in the Asia/Pacific region. In Western Asia it helped to organize the Arab Regional NGO Meeting in Preparation for Beijing + 5 (Amman, Jordan, February 2000) and launched the *Arab Regional NGO Alternative Report*. UNIFEM chaired a United Nations theme group on gender in China and co-organized a symposium on the preparations for Beijing+5 with the Chinese Women's Research Society.

64. In Chile an estimated 15,000 Chilean women attended 13 UNIFEM-supported regional and national seminars. Two reports tracking the status of the implementation of the Programme for Action in Chile were written and published. The meetings laid the groundwork for developing a second national equal opportunities plan in Chile.

65. UNIFEM is working to ensure that the global interest generated by Beijing+5 yields concrete and sustainable benefits for women. In Africa, UNIFEM organized non-governmental organization training sessions after Beijing+5 to enable women to work with Governments on stronger accountability mechanisms. In the Caribbean, UNIFEM is carrying out a three-year project to generate social and gender indicators for monitoring the Programme for Action. In September 2000 UNIFEM organized a regional biennial review meeting in South Asia which enabled governmental and non-governmental organization representatives collectively to identify follow-up priority areas. As a result, the South Asian Governments agreed to hold an annual subregional monitoring meeting to review implementation of the Programme for Action.

## III. UNIFEM as a knowledge provider on gender equality and women's human rights

66. UNIFEM engages in diverse and creative strategies to share its knowledge and experiences in support of gender equality and women's rights worldwide. The launch, in 2000, of *Progress of the World's Women* offered a concrete example of how UNIFEM synthesizes its learning and analysis to support improved programming by all of its key partners: Governments, United Nations agencies and civil society partners. During the past year, UNIFEM has engaged in numerous initiatives to stimulate learning in support of future programming, to link knowledge to action, and to mainstream understanding of gender through the mass media.

### A. Progress of the World's Women 2000

67. UNIFEM's new biennial report, *Progress of the World's Women 2000* stands alongside other United Nations publications, including *Human Development Report* (UNDP), *The State of the World's Children* (UNICEF), and *The State of World Population* (UNFPA).

68. UNIFEM launched its report in June 2000 at the special session of the General Assembly (Beijing+5). Using a combination of statistical indicators, analyses, and personal testimonies, *Progress of the World's Women 2000* documents the advances many nations have made on behalf of women while examining remaining social, economic, political and technological gender gaps. It addresses the economic dimensions of women's progress in the context of globalization from the mid-1980s to the late 1990s.

69. *Progress of the World's Women 2000* illustrates how the global agreements of the past decade have targeted gender equality in education and in measures to address health issues such as maternal mortality but has marginalized women's economic rights and empowerment. The report strongly recommends the adoption of a globally agreed goal specific to women's paid employment, such as raising women's share of administrative and managerial positions to at least 30 per cent by 2005, and to at least 50 per cent by 2015.

70. Regional and national launches of the publication and public meetings were held in Switzerland, Mexico, Peru, Chile, Brazil, Zimbabwe, India, Thailand and China. Regional and national editions were published in South Asia and Mongolia. Local adaptations for South Africa and Mongolia have been published. An Italian non-governmental organization has secured support to translate the volume into Italian. Global non-governmental organization response to *Progress of the World's Women 2000* indicates that UNIFEM's partners have found the new data extremely useful in their advocacy efforts on behalf of women.

### B. Stimulating learning to support future programming

71. During the past two years, UNIFEM has been engaging in diverse initiatives to learn from its work to end gender-based violence. UNIFEM undertook an assessment of its "end violence" electronic working group, which "met" from October 1998 through March 2000 and engaged more than 2,500 advocates from around the world in a daily sharing of strategies to end gender-based violence. Assessments were also undertaken to generate learning from the inter-agency regional campaigns to end violence against women which UNIFEM had launched in 1998 and 1999. Working with local and international experts on the assessments, UNIFEM held consultations with numerous partners to learn about the impact of campaign strategies, materials and messages and to generate feedback on priorities for follow-up. The assessment results have already helped to shape new UNIFEM media and campaign initiatives on ending violence — including the campaign launched in the CEE/CIS region at the end of 2000 — and in other thematic areas. In the short term as well, the assessments are feeding into the design of workshops on strategic communications to strengthen the capacity of grantees of UNIFEM's Trust Fund in Support of Actions to Eliminate Violence Against Women more effectively to document and assess the impact of their advocacy initiatives.

72. Finally, the learning component of the Trust Fund in Support of Action to Eliminate Violence Against Women bore fruit in 2000 with the publication of *With An End In Sight*, offering in-depth case studies of seven UNIFEM-supported projects. It makes innovative strategies and lessons learned about ending violence against women available to thousands of groups and individuals worldwide.

### C. Mainstreaming gender perspectives through mass media

73. UNIFEM is increasingly finding ways more effectively to support the development of audio-visual materials to build public awareness, knowledge, and changes in practice and political will. In South Asia, UNIFEM supported *Chameli*, a feature film dealing with trafficking in women, which won awards for best actress, best art director, and best story in the Third Nepal Motion Pictures Awards. In the Caribbean, UNIFEM has produced popular videos on CEDAW, which have been aired on television in 16 Caribbean countries and has supported CEDAW radio talk shows in Saint Vincent and the Grenadines and Turks and Caicos.

74. In the Andean region, Central America, South-East Asia and globally, UNIFEM has been using partnerships with media to exponentially increase its outreach. Reaching hundreds of thousands of listeners region-wide, the radio programmes co-produced by UNIFEM with the networks of the World Association of Community Radio Broadcasters and the Feminist Radio Collective are ensuring that men and women understand national legislation and global conventions. In East Africa, UNIFEM supported *The Nation*, Kenya's main newspaper, in producing a women's supplement in preparation for Beijing+5.

## IV. Financial management

75. The year 2000 saw a significant increase in total contributions. Against an income of $23.65 million in 1999, income for 2000 amounted to $29.41 million, up $5.9 million, or more than 20 per cent over the

previous year. Combined expenditures for the financial year ended 31 December 2000 totaled $25.39 million, up $5.8 million, or 23 per cent from 1999.

76. Nine donor Governments increased their contributions, and two Governments recommenced their contributions after several years. The total contributions from government donors in 2000 was $24.68 million. In addition, almost $3 million was received from other donors, providing a total of $27.67 million from donors. It should be noted that the continued strengthening of the United States dollar considerably affected actual income from donors pledging in their home currency. This was particularly the case for EU countries since those currencies depreciated by about 10 per cent over the United States dollar in the course of 2000. Had there been a more stable exchange rate, contribution increases would have been even more sizeable.

77. During 2000, UNIFEM continued to enter into co-financing arrangements with various donors. Actual contributions amount to $3.4 million and $4.2 million for cost sharing and sub-trust funds, respectively. This is an increase of $2.6 million, or 34 per cent, over 1999. In addition, pledges receivable in 2001 and future years based on already approved contracts amount to $4.2 million.

78. UNIFEM's strategy for increasing and diversifying its resources focuses on strengthening and expanding partnerships with bilateral donors; generating support for gender equality through development of new partnerships with multilateral agencies, and leveraging funds through strategic gender mainstreaming strategies; exploring opportunities to develop partnerships with socially responsible private-sector entities; and piloting innovative fund-raising strategies.

79. Working in an inter-agency context on a number of innovative mechanisms, UNIFEM's field offices are also increasing their ability to leverage funds from United Nations partners. Notable examples include the securing by the New Delhi office of $100,000 from UNICEF and $150,000 from UNFPA for the continuation of its project on engendering the census in South Asia. UNIFEM's Quito office leveraged $300,000 from UNDP's Japanese Women in Development Fund for a project on women's leadership and citizenship.

80. Diversification of UNIFEM's resource base remains a critical priority and one that continues to offer challenges. UNIFEM is developing a three-pronged strategy, taking into account the broader United Nations context of exploring partnerships with private-sector entities, and mindful of the debates surrounding private-sector support for United Nations activities. Recognizing that diversification requires long-term development of new partnerships around innovative activities, UNIFEM is focusing on development of partnerships to raise visibility and public awareness and to re-align of UNIFEM's national committees. A notable example was the private-sector partnership in support of a UNIFEM exhibit of women artists from around the world, at Beijing+5.

United Nations A/56/175

General Assembly

Distr.: General
12 July 2001

Original: English

**Fifty-sixth session**
Item 111 (c) of the preliminary list*
**Environment and sustainable development**

# Implementation of the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa

**Report of the Secretary-General****

## I. Introduction

1. In its resolution 55/204, the General Assembly requested the Secretary-General to report to it at its fifty-sixth session on the outcome of the fourth session of the Conference of the Parties to the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa. It also requested the Secretary-General to report on the implementation of the resolution.

2. In its resolution 52/198, the General Assembly decided to approve the institutional linkage between the secretariat of the United Nations Convention to Combat Desertification and the United Nations, in accordance with the offer made by the Secretary-General and accepted by the Conference of the Parties to the Convention at its first session.

3. The General Assembly requested the Secretary-General to review the functioning of the institutional linkage, including the financing arrangements, no later than 31 December 2000, in consultation with the Conference of the Parties, with a view to making such modifications as might be considered desirable by the General Assembly and the Conference of the Parties, and to report thereon to the Assembly.

## II. Implementation of General Assembly resolution 54/223

### A. Adoption of the report of the Ad Hoc Working Group for the in-depth review and analysis of the reports submitted at the third and fourth sessions of the Conference of the Parties

4. By its decision 6/COP.3, the Conference of the Parties decided to establish an ad hoc working group to review and analyse in depth, at the fourth session, reports submitted at its third session and reports that would be submitted at its fourth session in order to draw conclusions and propose concrete recommendations on further steps in the implementation of the Convention. By the same decision, the Executive Secretary of the Convention was requested to make all necessary arrangements for

* A/56/50.

** The footnote requested by General Assembly resolution 54/248 was not included in the submission.

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the above-mentioned ad hoc working group (AHWG) to fulfil its mandate and to meet at the fourth session.

5. The Conference of the Parties decided that all national reports submitted at its third and fourth sessions would be reviewed individually by AHWG before the beginning of its fifth session. The Conference of the Parties requested AHWG to conclude the process of reviewing all remaining reports submitted at the third and fourth sessions of the Conference of the Parties by convening an inter-sessional meeting of up to 15 working days between the fourth and fifth sessions.

6. Finally, the Conference of the Parties decided that AHWG would submit an interim report on its work to the Conference of the Parties at its fourth session and a comprehensive report on its conclusions and concrete recommendations for further steps on the implementation. That report was adopted by the Conference of the Parties as an annex to its decision 2/COP.4. Owing to the size of the report review exercise, the Parties also agreed on an inter-sessional meeting of up to 15 working days of AHWG before the fifth session of the Conference of the Parties. That was seen to be a necessary arrangement for processing the backlog of reports through an equitable review of all country reports submitted to the secretariat at the third and fourth sessions of the Conference of the Parties. AHWG was also requested to submit a comprehensive report to the Conference of the Parties at its fifth session on its conclusions and concrete recommendations on further steps on the implementation.

7. Further to consultations with interest and regional groups and in order to facilitate the decision on the ad hoc working group, the Secretariat prepared document ICCD/COP(4)/3/Add.7 (A), outlining a proposal for the work plan of the ad hoc working group and its objectives. That document was well received by the Parties.

### Ad Hoc Working Group convened during the fourth session of the Conference of the Parties

8. Pursuant to decision 1/COP.4, AHWG received its procedural guidelines. One of the criteria for selecting national reports to be reviewed at the fourth session of the Conference of the Parties was the date of ratification and the adoption and/or elaboration of a national action programme. Some subregional and regional reports were also considered. In that context, inputs from reports of developed country Parties, United Nations organizations, intergovernmental organizations and non-governmental organizations, that supported project activities in the concerned affected country Parties, were expected to also enrich that review.

9. AHWG, without neglecting other issues contained in reports, was requested to review and analyse reports by adopting thematic approaches, as appropriate, based on, inter alia, the following topics:

(a) Identification of best practices and successes in implementing the Convention;

(b) Identification of main difficulties, obstacles and challenges in implementing the Convention;

(c) Level of participation of all actors, including financial and technical support from developed countries, in the implementation process;

(d) Linkages and synergies with other conventions on environment and development;

(e) Strategies established within the framework of sustainable development plans and/or policies.

10. The Group had to review the reports of 10 African, 6 Asian and 4 Latin American countries, in addition to those of 2 countries from regional implementation annex IV and one report from Eastern Europe. Regional and subregional activities for all annexes were to be discussed at the end of the review process for each regional annex, within the time frame available.

11. The review of national reports provided a more specific complement to the brief review that took place in the Committee of the Whole of the Conference of the Parties on the overview and the synthetic aspects of the implementation of the Convention. The initial work of AHWG was considered an iterative process aiming at maximizing the lessons from experience as distilled through the national reports.

12. At its first session, AHWG reviewed the following reports:

(a) National reports: Argentina, Benin, Bolivia, Burkina Faso, Cape Verde, Chile, China, Cuba, Italy, Lao People's Democratic Republic, Lesotho, Mali, Mongolia, Namibia, Portugal, Republic of Moldova,

Senegal, Swaziland, Tajikistan, Tunisia, Turkmenistan, United Republic of Tanzania, Uzbekistan;

(b) Subregional reports: Arab Maghreb Union, Permanent Inter-State Committee for Drought Control in the Sahel/Economic Community of West African States, Southern African Development Community and Intergovernmental Authority on Development;

(c) Regional Reports: Africa, Asia, Latin America and the Caribbean and northern Mediterranean.

13. Comments and exchanges following the presentation of national reports aimed at seeking or providing complementary clarifications, offering advice or highlighting areas of common interest. Affected countries from the same region often focused on shared areas of concern. Developed country Parties emphasized relevant methodologies and approaches. The co-chairmen expressed satisfaction with the high quality of the presentations and the rich content of the exchanges. They commended affected country Parties for their thorough preparation and excellent delivery. Likewise, participants expressed appreciation for the comprehensive extent of the coverage of the reports, substantive information content, the candid assessment of obstacles and constraints and the useful summary of lessons learned.

14. On the whole, however, the participants felt that the exchanges did not draw well-defined conclusions from the analysis of the reports and thus did not provide sufficient elements to chart the path forward for the implementation process. Hence, many participants called for more concrete and constructive feedback.

### Presentations of affected country Parties

15. National reports usually covered such matters as institutional development, legislative, policy and enabling frameworks, national coordination, participatory mechanisms and partnership networking, awareness-raising and capacity-building, funding issues and, many times, benchmarks and indicators.

16. In doing so, the reports also covered questions pertaining to inter-ministerial cooperation, the field level consultative process and the mobilization of civil society. They called for a better integration of long-term environmental measures into economic policies, instruments and practices. The lack of predictable financial support was consistently identified as a pressing constraint at a time when national coordination bodies in charge of the Convention were planning to move from preparation of national action programmes to the operational phase of field activities. The role of the Global Mechanism in facilitating and securing funding was acknowledged.

### Presentation of subregional and regional programmes

17. Subregional and regional institutions reported on institutional developments, such as the establishment of ministerial consultations, integrated planning frameworks, coordination committees and thematic groups and the use of Internet exchange forums. It was highlighted that subregional action programmes have the potential to turn into a cost-effective channel for providing support for the national action programmes in the concerned subregions. Regional and subregional institutions assisted member States in the preparations for the Conference of the Parties and some delegations stated that their useful role deserved enhanced support. There was emphasis on South-South cooperation, finding responses to challenges in areas of common interest, notably in regard to the work of the Committee on Science and Technology. Transboundary pilot projects had been launched between neighbouring countries in some subregions. Member States had received support for the preparation of national action programmes. Technical difficulties related notably to the harmonization of evaluation parameters, benchmarks and indicators. The transaction cost of coordination and networking was recalled.

18. The inter-sessional meeting of AHWG was convened pursuant to decision 1/COP.4. It was opened in Bonn, Germany, on 16 March 2001, by the Executive Secretary of the secretariat of the Convention to Combat Desertification. The resumed session of AHWG reviewed the reports of 32 African, 30 Asian and 26 Latin American and the Caribbean countries, in addition to those of 4 northern Mediterranean and other affected countries and 3 reports from central and eastern European countries. Subregional activities for regional implementation annexes II and III were likewise presented. The resumed session of AHWG heard the presentation of national reports from the following affected country Parties (Parties which had completed their national action programmes are marked with an asterisk):

Algeria, Armenia, Australia, Azerbaijan, Bangladesh, Barbados, Botswana, Brazil, Burundi, Cambodia, Cameroon, Chad, Colombia, Costa Rica, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Ethiopia,* Fiji, Gambia,* Georgia, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran (Islamic Republic of), Israel, Jamaica, Jordan, Kazakhstan, Kenya, Kyrgyzstan, Lebanon, Libyan Arab Jamahiriya, Madagascar, Malawi, Malaysia, Mauritania, Mexico, Morocco, Mozambique, Myanmar, Nepal, Nicaragua, Niger,* Nigeria,* Oman, Pakistan,* Palau, Panama, Paraguay, Peru, Philippines, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, South Africa, Spain, Sri Lanka, Sudan, Syrian Arab Republic, Togo, Turkey, Uganda,* United Arab Emirates, Uruguay, Venezuela, Viet Nam, Yemen,* Zambia and Zimbabwe.*

19. AHWG further heard the presentation of the reports of the following developed country Parties: Australia (also on behalf of Japan, Canada and Switzerland), Austria, Finland, France, Germany, Israel, Netherlands, Sweden and United Kingdom of Great Britain and Northern Ireland.

20. AHWG also heard the presentations of the following United Nations organizations as well as international and multilateral agencies: United Nations Development Programme (UNDP), United Nations Environment Programme, World Meteorological Organization, International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) and Arab Centre for Studies of Arid Zones and Dry Lands (ACSAD).

21. Reports from the following countries were reviewed without presentations: Angola, Antigua and Barbuda, Bahrain, Belgium, Belize, Denmark, Dominica, Italy, Kuwait, Libyan Arab Jamahiriya, Luxembourg, Malaysia, Mozambique, Niue (New Zealand), Qatar, Republic of Korea, Romania, Singapore, Spain (as developed country Party) and Tuvalu.

22. The presentations during the inter-sessional meeting of AHWG demonstrated the worldwide mobilization of affected country Parties to combat desertification. Similarities and features deemed common to affected developing country Parties include the following: (a) Parties have taken institutional measures to implement the Convention; (b) they face the difficulty of harmonizing a multitude of pertinent programming instruments dealing with the management of natural resources; (c) in this context, they express the need for some technical and financial support to carry the process forward; (d) the intertwined challenge of land degradation and poverty threatens to worsen in the current context of climate change.

23. The developed country Parties emphasized the links of the Convention with such areas of concern as poverty reduction, landscape conservation, ecological sustainability and productivity enhancement. They endorsed in that context a holistic approach. They spelled out their efforts in supporting the implementation process and made proposals for further improvements. Developed country Parties presented their respective policy objectives for development cooperation, their thematic areas of support, and the geographical coverage of their intervention, and estimated corresponding financial investments as they spelled out some of their ongoing activities. Parties expressed a willingness to promote effective partnership with all stakeholders and to share knowledge and technical expertise. There was general acknowledgement that further awareness-raising, particularly in the field, was needed and they committed themselves to further improving the information exchange.

24. Progress was also achieved in triggering a broad dialogue in the context of preparing national action programmes and in ensuring widespread dissemination and ownership of the national action programme. The support of the resident coordinators of the United Nations system was found to be effective whenever resources were made available to the UNDP field offices to support the national action programme process. At times, it was possible to improve the conditions for partnership through the identification and coordination of complementary initiatives by means of sectoral or thematic planning instruments.

## B. Programme and budget: adjustment to the budget for the biennium 2000-2001

25. The Executive Secretary of the secretariat of the Convention presented its report on programme and budget to the Conference of Parties at its fourth session (see ICCD/COP(4)/2 and addenda). The Conference of the Parties increased the core budget of the Convention

for the biennium 2000-2001 by US$ 335,300 for the logistical costs of the inter-sessional meeting of AHWG.

26. The Conference of the Parties also requested the Executive Secretary to continue consultations with the relevant departments of the United Nations in order to secure more resources from overhead to fund the Convention's activities, including those related to liaison arrangements with United Nations Headquarters.

27. The Conference of the Parties also reconfirmed its authorization to the Executive Secretary, as contained in decision 3/COP.3, to make transfers between each of the main appropriation lines 1 to 6 of the approved budget for the biennium 2000-2001, up to an aggregate limit of 15 per cent of the total estimated expenditure for those appropriation lines, provided that a further limitation of up to minus 25 per cent of each such appropriation line would apply, particularly for the financing of the two meetings of the Bureau of the Conference of the Parties and the meeting of the Bureau of the Committee on Science and Technology as contained in ICCD/COP(4)/2/Add.6, paragraph 22.

28. The Conference of the Parties noted the work being done to establish common administrative services in Bonn with the United Nations Framework Convention on Climate Change and accordingly requested the Executive Secretary to report to it at its fifth session any outcome taking into account the unique features of the Convention, as well as the financial rules of the Conference of the Parties.

## C. Procedure for the review of the implementation of the Convention

29. Following the remarkable number and quality of reports submitted by the affected African country Parties, the Conference of the Parties decided to establish an ad hoc working group to review and analyse in depth, reports submitted at its third and fourth sessions in order to draw conclusions and propose concrete recommendations on further steps in the implementation of the Convention.

30. The Conference at its third session invited Parties and other interested institutions and organizations, including non-governmental organizations, to submit written proposals and suggestions on the need for the establishment of a committee to review the implementation of the Convention no later than 30 April 2000, to be compiled, summarized and circulated by the secretariat in order to further develop the existing review system and to facilitate consideration, and to take a decision on the issue at its fourth session and, if necessary, at its fifth session.

31. At its fourth session, having taken into account the experience and comprehensive report of AHWG, the Conference of the Parties decided that further proposals and suggestions by Parties and other interested institutions on concrete recommendations for the review of implementation of the Convention, including proposals on procedures and modalities for the establishment of a committee to review the implementation of the Convention, would be submitted through the secretariat for consideration at the fifth session of the Conference of the Parties.

## D. Additional regional implementation annex to the Convention for central and eastern Europe

32. During its second session, the Conference of the Parties adopted decision 11/COP.2, in which it urged observer countries from central and eastern Europe to take appropriate action to become parties to the Convention and invited them to produce a draft additional regional implementation annex to the Convention for consideration by the Conference of the Parties at its third session.

33. At its fifty-fourth session, the General Assembly adopted resolution 54/223, in which it welcomed the progress made in producing a draft additional regional implementation annex to the Convention for countries of Eastern and Central Europe, and invited those countries to continue their efforts towards acceding to the Convention,

34. At its third session, the Conference of the Parties adopted decision 7/COP.3, in which it invited the countries of Central and Eastern Europe and all Parties to the Convention to continue, under the auspices of the Bureau of the Conference of the Parties, the process of consultations on the draft additional implementation annex with a view to adopting it at the fourth session of the Conference of the Parties.

35. At its meeting on 23 March 2000, the Bureau of the Conference of the Parties recommended that the

Conference of the Parties consider, for adoption at its fourth session, the proposed additional regional implementation annex.

36. At its fourth session, the Conference of the Parties adopted decision 7/COP.4, in which it decided to adopt as annex V to the Convention the regional implementation annex for Central and Eastern Europe annexed to the decision. In doing so, the Conference of the Parties acknowledged that the implementation of the regional annex V to the Convention should not impact on the provision of financial resources for the implementation of the Convention, especially for the implementation of annexes of affected developing country Parties, in accordance with the provisions of the Convention.

## E. Action by States

37. In paragraph 2 of its resolution 55/204, the General Assembly called upon all countries that were not yet parties to the Convention to ratify or accede to the Convention as soon as possible.

38. As of 15 June 2001, instruments of ratification, acceptance, approval or accession had been deposited by the following 174 States and one regional economic integration organizations:

Afghanistan, Albania, Algeria, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Cape Verde, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo, Cook Islands, Costa Rica, Côte d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic Republic of the Congo, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Ethiopia, European Community, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, Iceland, India, Indonesia, Iran (Islamic Republic of), Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, Kuwait, Kyrgyzstan, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Liechtenstein, Luxembourg, Madagascar, Malawi, Malaysia, Mali, Malta, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Monaco, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Niue, Norway, Oman, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Rwanda, Saint Kitts and Nevis, Saint Lucia, Samoa, Saint Vincent and the Grenadines, San Marino, Sao Tome and Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Solomon Islands, South Africa, Spain, Sri Lanka, Sudan, Suriname, Swaziland, Sweden, Switzerland, Syrian Arab Republic, Tajikistan, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, United Arab Emirates, United Kingdom, United Republic of Tanzania, United States of America, Uruguay, Uzbekistan, Vanuatu, Venezuela, Viet Nam, Yemen, Zambia and Zimbabwe.

## F. Arrangements for the fifth session of the Conference of the Parties

39. At the last meeting of its fourth session, the Conference of the Parties adopted decision 22/COP.4, by which it decided that the fifth session of the Conference of the Parties would be held at Bonn, Germany, the site of the Convention secretariat, from 17 to 28 September 2001, in the event that no Party made an offer to host that session and to meet the additional financial cost. Accordingly, it invited the Executive Secretary in consultation with the Bureau to accommodate, by 31 March 2001, any offer from a Party to host the fifth session and requested the Executive Secretary to take the necessary measures to prepare for the fifth session of the Conference of the Parties.

40. Unfortunately, the Government of Germany informed the secretariat of its difficulty in hosting the Conference of the Parties. The Government of Germany proposed as an alternative to hold the fifth session of the Conference of the Parties in the year 2002. This option, however, was judged contrary to the provisions of the Convention by the Bureau of the Conference of the Parties. Consequently, pursuant to

the provisions of decision 22/COP.4, and after deliberation, the Bureau decided to hold the fifth session of the Conference of the Parties from 1 to 12 October 2001 in Geneva, at the Palais des Nations, headquarters of the United Nations Office in Europe.

## III. Administrative linkages with the United Nations

41. Pursuant to General Assembly resolution 52/198 of 18 December 1997, in which the Assembly approved the institutional linkage between the secretariat of the Convention and the United Nations, the Secretary-General made a proposal to establish the transitional arrangements for administrative support to the secretariat of the Convention for 1999-2000. That proposal was accepted by the Conference of the Parties at its first session (decision 3/COP.1).

42. The General Assembly requested the Secretary-General to review the functioning of the institutional linkage, including the financing arrangements, in consultation with the Conference of the Parties, with a view to making such modifications as might be considered desirable by the Assembly and the Conference of the Parties, and to report thereon to the Assembly.

43. In line with the decisions and resolutions cited above, the head of the Convention secretariat is appointed by the Secretary-General and is accountable to the Conference of the Parties. He reports to the Secretary-General on administrative matters through the Under-Secretary-General for Management and on other matters through the Under-Secretary-General for Economic and Social Affairs.

44. No significant changes have since taken place in the substantive linkage. As regards administrative matters, the Executive Secretary has functioned within the scope of a broad delegation of authority which, over the years and as reported to the Conference of the Parties at its fourth session, has adapted to changing circumstances and has resulted in a steadily greater assumption of administrative responsibility by the Convention secretariat. At the same time, and in consultation with the United Nations, a progressively larger portion of the administrative support charges levied for the reimbursement of administrative servicing costs has been re-allotted to the Convention secretariat.

45. The main objective of the secretariat's administrative unit has been to increase efficiency and effectiveness in responding to the needs of the Parties. In a bid to minimize the transaction costs with the United Nations Office at Geneva, the secretariat has continued to take on more administrative and financial functions previously performed by the United Nations Office at Geneva. As regards administrative support, the Executive Secretary, in agreement with the Department of Management, has gradually taken over most of the responsibility for financial and personnel administration of the Convention secretariat. A substantial part of the support costs is currently re-allotted back to the secretariat through the financing of specific posts or other administrative requirements of the secretariat.

46. The objective jointly pursued by the Department of Management and the Convention secretariat has been to more clearly define the responsibilities of the Executive Secretary, in administrative matters, as well as his accountability to the Conference of the Parties and to the Secretary-General. Thus, responsibility for authorizing and providing travel arrangements for the Convention staff is now vested in the Executive Secretary. He, or selected officers to whom he has delegated authority, either certify financial obligations or approve payments for goods received and services rendered. The Executive Secretary has broad authority, comparable to that of the head of a major programme at the United Nations, to approve purchases of equipment and services. On the personnel side, the administration of the Staff Rules in respect of staff of the Convention secretariat (including staff entitlements) rests with the Executive Secretary. The Secretary-General continues to retain his authority in disciplinary and appeal matters. Discussions are under way with the relevant department at the United Nations Office at Geneva to establish a memorandum of understanding whereby the secretariat will receive services on a cost-per-service basis. The Executive Secretary will continue to seek advice on policy matters and specific administrative issues from the Department of Management.

47. In summary, therefore, it is considered that the institutional linkage between the Convention secretariat and the United Nations, and the related administrative arrangements which have developed, have provided and continue to provide a sound basis for the day-to-day functioning of the Convention secretariat. They clearly define the accountability of

the Executive Secretary to the Conference of the Parties and to the Secretary-General and, at the same time, delineate the responsibility of the United Nations for providing the necessary support services as well as advice to the Executive Secretary when requested.

48. Accordingly, the General Assembly may wish to approve the continuation of the current institutional linkage, and related administrative arrangements, as outlined in the present chapter, for a further five-year period, to be reviewed by the Assembly and the Conference of the Parties not later than 31 December 2006.

## IV. Action requested of the General Assembly

49. In paragraph 17 of its resolution 55/204, the General Assembly requested the Secretary-General to report to it at its fifty-sixth session on the implementation of that resolution as well as on the outcome of the fourth session of the Conference of the Parties. The present report has been produced in response to that request.

50. The General Assembly may also wish to reiterate its appeal to the States which have not yet ratified the Convention to do so as soon as possible.

51. In accordance with the institutional arrangements between the Conference of the Parties to the Convention and the United Nations and paragraph 15 of resolution 55/204, the General Assembly may also wish to take action regarding the provision made in the proposed calendar of conferences and meetings for the biennium 2002-2003 for the sessions of the Conference of the Parties and its subsidiary bodies, including the sixth ordinary session of the Conference of the Parties and meetings of its subsidiary bodies.

52. The General Assembly may also wish to take note of the decision adopted by the Council of the Global Environment Facility (GEF) at its last meeting recognizing fully that the issue of land degradation is integral to the pursuit of sustainable development and poverty alleviation and synergies among the global environmental conventions and deciding to designate "land degradation (desertification and deforestation) as a GEF focal area as a means for enhancing GEF support for the successful implementation of the United Nations Convention to Combat Desertification".

53. The General Assembly may also wish to make an appeal for the funding of the Convention, particularly regarding contributions to the core budget, which are to be paid promptly every 1 January.